

# *ANNUAL REPORT*

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Ending March 31, 2004

## *Corporate Profile*

Okasan Holdings, Inc. is a holding company of the Okasan Group, a family of companies that propose a comprehensive range of investment and asset management services.

Back on April 4, 1923, Seiji Kato founded the Okasan Company. This company was later changed to Okasan Securities Company Limited, and it still retains its status as an independent securities company to this day. While most major securities companies were established in large cities and branched out into local regions, Okasan Securities came on the scene in a local city and then moved to Tokyo. This is a unique success story for a securities company.

Okasan Securities has always preferred face-to-face sales as the most dependable style of securities service. In the more than eighty years since its founding, the company has developed a host of community-based sales activities in the same vein. The "Be Honest" spirit passed down from founder Seiji Kato has won the confidence of customers and supported Okasan Securities throughout its history.

On October 1, 2003, Okasan Securities Co., Ltd. restructured itself into a holding company and changed its name to Okasan Holdings, Inc. Under this new structure, we will construct a solid management foundation to properly respond to diversified investment and asset management needs and to raise the value of the Okasan brand as a creative asset management service company.

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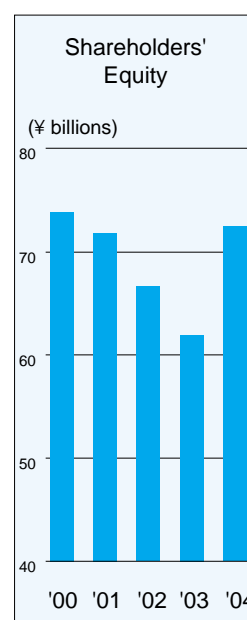
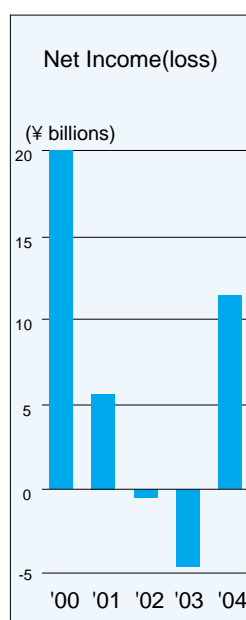
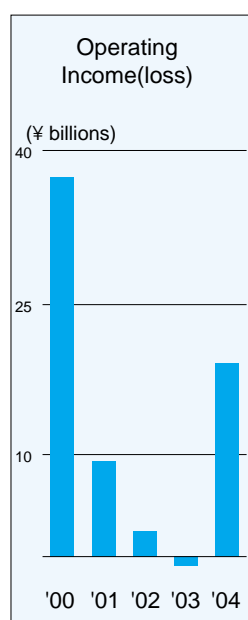
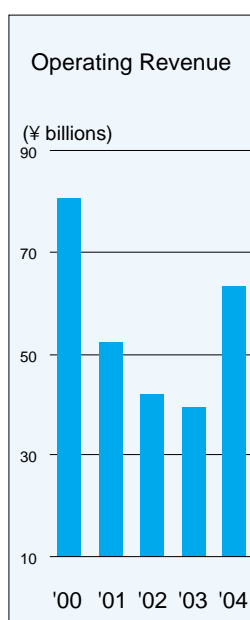
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## Consolidated Financial Highlights

*Okasan Holdings ,Inc. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003*

	Millions of Yen		Thousands of U.S.Dollars (note)
	2004 (4/1/03~3/31/04)	2003 (4/1/02~3/31/03)	2004 (4/1/03~3/31/04)
Operating Revenues .....	¥63,116	¥39,749	\$601,105
Operating income (loss) .....	18,780	(972)	178,858
Net income (loss) .....	7,632	(4,603)	72,686
Total assets .....	378,318	214,574	3,603,028
Shareholders' equity .....	72,501	61,881	690,486
Per share of common Stock	Yen		U.S.Dollars (note)
Basic net income (loss) .....	¥37.50	¥(23.41)	\$0.36
Cash dividends applicable to the year .....	15.00	5.00	0.14

*Note: The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2004, which was ¥105 to U.S.\$1.*



## Operating Results and Financial Position

*Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003*

### I. Operating Results

The fiscal year ending March 2004 recorded operating revenues of ¥63,116 million (158.8% of the previous year), and ¥61,964 million (160.3%) net operating revenues. Amid the favorable conditions in the domestic stock market, Okasan Group focused on promoting aggressive information and investment advice offerings on market conditions and individual stocks by our research division and developing products that met client's needs. Furthermore, we implemented the "international diversified investments in the major world markets" strategy including start of transactions for European and UK shares through the over-the-counter market and expansion of trading in Chinese shares.

On the other hand, selling, general and administrative expenses were ¥43,184 million (109.0%) due to increase of variable costs following a rise in transaction volume; we achieved ¥19,251 million ordinary income (¥940 million ordinary loss in the previous year) and ¥7,632 million net income (¥4,603 million net loss) through increased revenues.

#### **1. Commissions**

Total commissions received were ¥35,570 million (158.7% of that of the previous year). The breakdown is as follows.

##### **(1) Brokerage commissions**

Amid the favorable climate of the stock market, we made effort to offer aggressive information and investment proposals and to develop new customers through holding various seminars such as "equity seminar" and "securities tax seminar" responding quickly to the changing market.

As a result, our commissions from individual investor trading showed a large increase. Stock brokerage commissions jumped to ¥26,782 million (179.0% of the previous year) and bond brokerage commissions were ¥123 million (44.7%). Together with other brokerage commissions, total brokerage commissions climbed to ¥26,938 million (176.1%).

##### **(2) Underwriting fees and selling concessions**

On the background of steady stock market conditions, stock sales and fund raising for corporate plant investments were so active that the number of underwritings including large-scale proposals increased. Underwriting fees and selling concessions of stock for the fiscal year bolstered to ¥551 million (149.9% of the previous year) and total fees and concessions including bond-related revenues were ¥583 million (149.4%).

##### **(3) Placement and other commissions**

In regard to placement and other commissions, a large part is accounted for by placement commissions on investment trusts and trust fees. As for the asset business division, we focused on expanding the sales of investment trust with monthly distribution like "World Sovereign Income" and "World REIT Selection (USA)" which became the first domestic investment trust to offer investment in the US REIT managed by Japan Investment Trust Management Co., Ltd.. Meanwhile, we assured our product line-up on the background of the simultaneous rise in the global stock markets; in particular, we concentrated sales on Japan Investment Trust Management's "China Road" Fund made possible through China A shares.

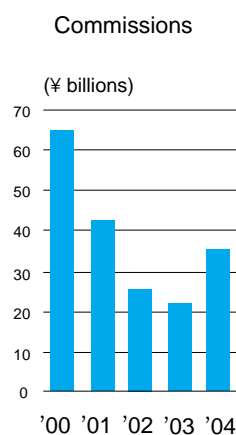
As a result, placement commissions of investment trust were ¥5,890 million (122.2% of the previous year) and total placement commissions grew to ¥6,034 million (121.1%). On the other hand, other commissions were ¥2,015 million (115.6%), reflecting increases in sales fees of insurance products such as variable annuity insurance and life insurance for business owners in addition to investment trust agency commissions.

## Commissions

### Breakdown by category

(Millions of YEN except percentage)

	2004<A> (4/1/03~3/31/04)	2003<B> (4/1/02~3/31/03)	Ratio <A>/<B>
Brokerage commission	¥26,938	¥15,298	176.1
Equities	26,782	14,963	179.0
Bonds	123	274	44.7
Investment trusts	33	61	53.8
Underwriting fees & Selling concessions	583	391	149.4
Equities	551	368	149.9
Bonds	32	23	140.7
Placement commissions	6,034	4,984	121.1
Other commissions	2,015	1,743	115.6
Total	¥35,570	¥22,416	158.7



### Breakdown by Product

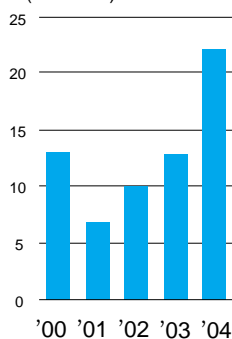
(Millions of YEN except percentage)

	2004<A> (4/1/03~3/31/04)	2003<B> (4/1/02~3/31/03)	Ratio <A>/<B>
Equities	¥27,634	¥15,642	176.7
Bonds	367	582	63.0
Investment trusts	6,667	5,447	122.4
Others	902	745	121.2
Total	¥35,570	¥22,416	158.7

## 2. Net gain on trading

Remarkable net gains on trading of ¥14,051 million (251.9% of the previous year) were achieved due to expansion of overseas stock transactions such as US and China stocks and gains from house account trading in the domestic stock market on the background of the market rallies. Moreover, gains from bond trading were enhanced at ¥5,309 million (106.1%) because of the aggressive sales of overseas bonds. This, together with another good performance from other trading registering ¥2,840 million (120.6%), made the total trading gains ¥22,200 million (171.6%).

### Net gain on Trading (¥ billions)



### Net gain on trading

(Millions of YEN except percentage)

	2004<A> (4/1/03~3/31/04)	2003<B> (4/1/02~3/31/03)	Ratio <A>/<B>
Equities	¥14,051	¥5,579	251.9
Bonds & others	8,149	7,356	110.8
Bonds	5,309	5,002	106.1
Others	2,840	2,354	120.6
Total	¥22,200	¥12,935	171.6

### **3. Financial income**

Net financial income was ¥194 million (54.1% of the previous year), with interest and dividends receivables of ¥1,346 million (93.2%) offsetting payables of ¥1,152 million (106.2%).

### **4. Other operating revenues**

There were ¥4,000 million (135.4% of the previous year) from operations other than securities and securities-related businesses.

### **5. Selling, general and administrative expenses**

Despite our cost-cutting efforts of fixed expenses through reviewing management costs of offices and communication expenses, and implementation of a paperless, electronic in-house accounting system, selling, general and administrative expenses increased slightly to ¥43,184 million (109.0% of the previous year) due to an increase of transaction related expenses and variable expenses that accompanied the increase in transactions from the recovering stock market.

### **6. Non-operating revenues and expenses, extraordinary profits / losses**

Non-operating revenues and expenses were ¥1,197 million and ¥726 million respectively, while extraordinary profits were ¥4,264 million due mainly to the transfer of software assets and losses ¥7,917 million due mainly to the transfer of real-estate.

## **II. Financial Position**

### **Cash flow**

While a large increase in income before income taxes of ¥15,598 million (loss of ¥7,260 million in the previous year) was offset by a decrease in the net of margin transaction assets and liabilities, cash and cash equivalents ("cash") increased by ¥3,649 million during the year, registering ¥30,484 million at the year-end.

The cash flow position during the year was as follows.

#### **<Cash flows from operating activities>**

Net cash used in operating activities amounted to ¥13,593 million (an increase of 2.2% from the previous year), reflecting increase in income before income taxes, net of margin transaction assets and liabilities and increase in cash segregated as deposits for customers.

#### **<Cash flows from investing activities>**

Net cash obtained in investing activities was ¥2,220 million (¥2,963 million used in the previous year). This was largely contributed by proceeds from the sales of tangible fixed assets and intangible fixed assets (soft ware).

#### **<Cash flows from financing activities>**

Net cash provided by financing activities was ¥15,455 million (140.2% of the previous year). The main items causing the change were proceeds from increase in short-term borrowings and long-term borrowings.

## Consolidated Balance Sheets

### *Okasan Holdings, Inc. and Consolidated Subsidiaries At March 31, 2004 and 2003*

ASSETS	Millions of Yen		Thousands of
	2004	2003	U.S.Dollars
			2004
Cash and cash deposits :			
Cash on hand and in banks (Notes 9 and 19)	¥34,200	¥30,139	\$325,714
Cash segregated as deposits related to securities transaction	29,921	16,439	284,962
	<u>64,121</u>	<u>46,578</u>	<u>610,676</u>
Receivables :			
Loans receivable from customers	256	1,088	2,438
Loans receivable from other than customers	21	—	200
Receivables from brokers,dealers and custmers	7,149	4,782	68,086
Receivables related to margin transactions (Note 8)	89,050	39,632	848,095
Other	5,942	3,472	56,590
Allowance for doubtful accounts	(136)	(27)	(1,295)
	<u>102,282</u>	<u>48,947</u>	<u>974,114</u>
Collateralized short-term financing agreement (Note 6)	61,952	11,859	590,019
Trading assets (Notes 3 and 9)	87,223	39,917	830,695
Deferred income taxes (Note 16)	5,803	9,707	55,267
Other assets :			
Property and equipment, at cost (Note 9)	23,036	38,302	219,390
Accumulated depreciation	(8,694)	(12,938)	(82,800)
Lease deposits	3,337	2,664	31,781
Securities (Notes 4 and 9)	34,340	24,166	327,048
Other	7,493	7,800	71,362
Allowance for doubtful accounts	(2,575)	(2,428)	(24,524)
	<u>56,937</u>	<u>57,566</u>	<u>542,257</u>
<b>TOTAL</b>	<b><u>¥378,318</u></b>	<b><u>¥214,574</u></b>	<b><u>\$3,603,028</u></b>
LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of
	2004	2003	U.S.Dollars
			2004
Borrowings (Notes 7 and 9) :			
Short-term borrowings	¥76,545	¥65,452	\$729,000
Long-term borrowings	15,199	9,909	144,752
	<u>91,744</u>	<u>75,361</u>	<u>873,752</u>
Payables:			
Payables to customers (Note 10)	31,359	20,316	298,657
Payables related to margin transactions (Note 8)	47,775	13,545	455,000
Other	7,100	4,761	67,619
	<u>86,234</u>	<u>38,622</u>	<u>821,276</u>
Collateralized short-term financing agreements (Note 6)	37,715	407	359,190
Trading liabilities (Note 3)	56,490	9,795	538,000
Income tax payables	3,396	405	32,343
Deferred income taxes (Note 16)	1,827	—	17,400
Retirement benefits (Note 11)	8,283	8,439	78,886
Other	990	1,067	9,429
Total liabilities	<u>286,679</u>	<u>134,096</u>	<u>2,730,276</u>
Reserve for securities transactions (Note 12)	400	779	3,809
Minority interests	18,738	17,818	178,457
Shareholders' equity (Notes 13 and 15)			
Common stock, authorized, 500,000,000 shares; issued, 197,864,969 shares in 2004 and 2003	12,897	12,897	122,829
Capital surplus	7,093	7,093	67,552
Retained earnings	50,059	43,468	476,752
Surplus (loss) on land revaluation (Note 14)	91	(32)	867
Unrealized gain(loss) on available-for-sale securities	2,927	(1,260)	27,876
Foreign currency translation adjustments	(86)	58	(819)
Total	<u>72,981</u>	<u>62,224</u>	<u>695,057</u>
Treasury stock, at cost 1,494,724 shares in 2004 and 1,125,627 shares in 2003	(480)	(343)	(4,571)
Total shareholders' equity	<u>72,501</u>	<u>61,881</u>	<u>690,486</u>
Commitments and contingencies (Note 18)			
<b>TOTAL</b>	<b><u>¥378,318</u></b>	<b><u>¥214,574</u></b>	<b><u>\$3,603,028</u></b>

See notes to consolidated financial statements.

## Consolidated Statements of Operations and Retained Earnings

*Okasan Holdings ,Inc. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003*

	Millions of Yen		Thousands of U.S.Dollars
	2004	2003	2004
OPERATING REVENUES:			
Commissions (Note 22)	¥35,570	¥22,416	\$338,762
Net gain on trading	22,200	12,935	211,429
Interest and dividend income	1,346	1,444	12,819
Service fee and other revenues	4,000	2,954	38,095
	63,116	39,749	601,105
INTEREST EXPENSES	(1,152)	(1,085)	(10,971)
NET OPERATING REVENUES	61,964	38,664	590,134
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	(43,184)	(39,636)	(411,276)
Operating income(loss)	18,780	(972)	178,858
OTHER INCOME(EXPENSES):			
Gain on sale of software and other assets	2,975	13	28,333
Loss on sale of property and equipment	(7,772)	(123)	(74,019)
Other,net	1,615	(6,178)	15,381
Other income (expenses)—net	(3,182)	(6,288)	(30,305)
INCOME(LOSS)BEFORE INCOME TAXES AND MINORITY INTERESTS	15,598	(7,260)	148,553
INCOME TAXES: (Note 16)			
Current	(3,742)	(678)	(35,638)
Deferred	(2,602)	2,966	(24,781)
Total income taxes	(6,344)	2,288	(60,419)
MINORITY INTERESTS	(1,622)	369	(15,448)
NET INCOME(LOSS)	7,632	(4,603)	72,686
RETAINED EARNINGS AT THE BEGINNING OF YEAR	43,468	49,525	413,981
Cash dividends	(914)	(1,438)	(8,705)
Bonuses to directors and corporate auditors	(4)	(14)	(38)
Decrease arising from realization of surplus (loss) on land revaluation	(123)	(2)	(1,171)
RETAINED EARNINGS AT THE END OF YEAR	¥50,059	¥43,468	\$476,753
	Yen		U.S.Dollars
PER SHARE OF COMMON STOCK (Note 2.n)			
Basic net income(loss)	¥37.50	¥(23.41)	\$0.36
Cash dividends applicable to the year	15.00	5.00	0.14

See notes to consolidated financial statements.



## Consolidated Statements of Cash Flows

*Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003*

	Millions of Yen		Thousands of U.S.Dollars
	2004	2003	2004
<b>OPERATING ACTIVITIES:</b>			
Net income(loss)	¥7,632	¥(4,603)	\$72,686
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	615	950	5,857
Increase in allowance for doubtful accounts	315	319	3,000
Decrease in retirement benefits	(156)	(75)	(1,486)
Increase (decrease) in reserve for securities transactions	(379)	21	(3,610)
Loss (gain) related to investment securities	(822)	5,842	(7,829)
Loss on sale of property and equipment, etc.	4,809	27	45,800
Deferred income taxes	2,602	(2,966)	24,781
Minority interest in income	1,622	(369)	15,448
Increase in trading assets and decrease in trading liabilities	(2,960)	(5,735)	(28,190)
Decrease (increase) in receivables and increase (decrease) in payables related to margin transactions	(15,188)	1,166	(144,648)
Increase in collateralized short-term financing agreements	(12,786)	(2,013)	(121,771)
Increase in other assets	(1,942)	(6,651)	(18,495)
Other, net	3,045	782	29,000
Total adjustments	(21,225)	(8,702)	(202,143)
Net cash used in operating activities	(13,593)	(13,305)	(129,457)
<b>INVESTING ACTIVITIES:</b>			
Payments for purchase of property and equipment	(314)	(199)	(2,990)
Proceeds from sale of property and equipment	3,226	61	30,724
Payments for purchase of investment securities	(5,134)	(4,258)	(48,895)
Proceeds from sale of investment securities	2,415	1,233	23,000
Other, net	2,027	200	19,305
Net cash provided by (used in) investing activities	2,220	(2,963)	21,144
<b>FINANCING ACTIVITIES:</b>			
Increase in short-term borrowings	15,582	11,390	148,400
Increase (decrease) in long-term borrowings	1,002	(3,142)	9,543
Payments of cash dividend	(914)	(1,438)	(8,705)
Payments of cash dividends to minority shareholders	(108)	(161)	(1,029)
Other, net	(107)	(216)	(1,019)
Net cash provided by financing activities	15,455	6,433	147,190
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(433)	(117)	(4,124)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,649	(9,952)	34,753
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,835	32,157	255,571
CASH AT BEGINNING OF YEAR OF ADDITIONAL CONSOLIDATED COMPANY	—	4,630	—
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 19)	¥30,484	¥26,835	\$290,324
<b>SUPPLEMENTAL INFORMATION ON CASH FLOWS:</b>			
Cash paid during the year for:			
Interest	¥1,110	¥1,553	\$10,571
Income taxes	589	109	5,609

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

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*Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003*

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

OKASAN HOLDINGS, INC. (the "Company") changed its name from Okasan Securities Co., Ltd. and transformed into a holding company on October 1, 2003, and the company transferred its securities business to OKASAN SECURITIES SPIN-OFF PREPARATION CO., LTD., wholly owned subsidiary of the Company, in accordance with the approval regarding the transfer at the general meeting of shareholders held on June 28, 2003. This company changed its corporate name to (new) Okasan Securities Co., Ltd. on the same date (Common stock - ¥5,000 million (\$47,619 thousand), Capital surplus - ¥29,199 million (\$278,086 thousand)).

The Company and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiary in conformity with those of the country of its domicile.

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 and applicable to Japanese securities companies.

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.

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2004, which was ¥105 to U.S.\$1.

The convenience translations should not be construed as representations that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a. Consolidation*—The consolidated financial statements for the year ended March 31, 2004 include the accounts of the Company and its 12 subsidiaries (11 subsidiaries in 2003). A company (a company in 2003) is accounted for by the equity method.

Under the control or influence concept, a company in which the Company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and another company over which the Company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The excess cost of the Company's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the net assets at the respective dates of acquisition, is being fully amortized during the year.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from the transactions is eliminated.

- b. Cash and cash equivalents**—For the purposes of the statements 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.
- c. Trading assets and liabilities**—Trading assets and liabilities are recorded at either market or fair value on a trade date basis. Revenues and expenses related to trading securities transactions are recorded on a trade date basis. Changes in the market or fair values are reflected in “net gain on trading” in the accompanying consolidated statements of operations. Gains and losses arose from derivatives held or issued for trading purposes which are comprised in “Trading assets and liabilities”, are also reported as “net gain on trading”, which includes realized gains and losses as well as changes in the market values or fair values of such instruments.
- d. Securities**—The Company examines the intent of holding investment securities, and classifies those securities as (a) equity securities issued by affiliated companies, (b) debt securities intended to be held to maturity (“held-to-maturity debt securities”) and (c) for all other securities not classified in any of the above categories (“available-for-sale securities”).

Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with market value are stated at market value, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the moving-average cost.

Unrealized gains and losses on these securities, net of applicable income taxes, are reported as separate component of the shareholder’s equity. Available-for-sale securities that do not have fair value are stated at the moving-average cost.

- e. Hedging transaction**—The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes. Valuation gains or losses on hedging instruments are mainly deferred as assets or liabilities until the gains or losses on underlying hedged instruments are realized. The Company has entered into interest rate swap agreements for hedging interest rate exposures. The difference in amounts to be paid or received on interest rate swap agreements is recognized over the life of the agreement as an adjustment to interest expense.
- f. Collateralized short-term financing agreements**—Collateralized short-term financing agreements consist of securities purchased under agreements to resell (“resell transactions”) or securities sold under agreements to repurchase (“repurchase transactions”), securities borrowed or loaned, and buy or sell Gensaki which have been accounted for as financing transactions. Resell transactions and repurchase transactions are carried at their contractual amounts.
- Securities borrowed or loaned are recorded at the amount of cash collateral advanced or received. Buy or Sell Gensaki represents a form of securities purchased under resale agreements or securities sold under repurchase agreements originated in Japan. Gensaki transactions have been accounted for in the same manner as financing transactions in accordance with the amendment of the “Uniform Accounting Standards of Securities Companies”.
- g. Allowance for doubtful accounts**—Allowance for doubtful accounts of domestic consolidated subsidiaries are provided on the estimated historical deterioration rate for normal accounts, and based on specifically assessed amounts for doubtful accounts. An overseas consolidated subsidiary provide specifically assessed amount for doubtful accounts.

- h. Property and Equipment*—Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings purchased in Japan after April 1, 1998, and property and equipment on overseas subsidiary. The range of useful lives is principally from 3 to 47 years for buildings and from 3 to 20 years for equipment.
- i. Retirement and Pension Plans*—The Company and its consolidated subsidiaries have contributory and noncontributory pension plans, and unfunded retirement and severance plans to provide retirement and severance benefits to 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 lessee at the end of the lease term, are accounted for similarly to operating leases.
- k. Income Taxes*—Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.  
The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the assets and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included on the financial statements or tax return. 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 difference are expected to be recovered or settled, and the effect on deferred tax and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.  
For the year ended March 31, 2004, the Company will file consolidated tax returns in Japan.
- l. Appropriations of Retained Earnings*—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.
- m. Foreign Currency Transactions*—Under the Accounting Standards for Foreign Currency Transactions, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities, and revenues and expenses of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet dates, a comprehensive adjustment resulting from transaction is presented as “Foreign currency translation adjustments” in a component of stockholders' equity.
- n. Per Share Information*—Basic net income(loss) per share is based on the weighted-average number of shares of common stock outstanding during the respective years.  
Cash dividends per share presented in the accompanying consolidated statements of operations and retained earnings are dividends applicable to the respective years including dividends to be paid after the end of the year.

### 3. TRADING ASSETS AND TRADING LIABILITIES

Trading assets and trading liabilities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Trading assets:</b>			
Equity securities and warrants	¥ 2,934	¥ 1,814	\$ 27,943
Government, corporate and other bonds	70,790	37,202	674,190
Commercial paper, certificates of deposits	13,499	896	128,562
Other	0	4	0
Futures and forward transactions	0	1	0
	<u>¥ 87,223</u>	<u>¥ 39,917</u>	<u>\$ 830,695</u>
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Trading liabilities:</b>			
Equity securities and warrants	¥ 254	¥ 106	\$ 2,419
Government, corporate and other bonds	52,736	8,792	502,248
Commercial paper, certificates of deposits	3,499	896	33,324
Futures and forward transactions	1	1	9
	<u>¥ 56,490</u>	<u>¥ 9,795</u>	<u>\$ 538,000</u>

### 4. SECURITIES

Available-for-sale securities with market value as of March 31 2004 and 2003 consisted of the following:

	Millions of Yen		
	Acquisition Cost	Balance sheet amount	Unrealized gain (loss)
March 31, 2004			
Current:			
Government and corporate bonds	¥1,393	¥1,397	¥4
Non current:			
Equity securities	¥11,851	¥17,635	¥5,784
Government and corporate bonds	6,482	6,519	37
Other	78	77	(1)
	<u>¥18,411</u>	<u>¥24,231</u>	<u>¥5,820</u>
	Millions of Yen		
	Acquisition Cost	Balance sheet amount	Unrealized gain (loss)
March 31, 2003			
Current:			
Government and corporate bonds	¥ 614	¥ 615	¥ 1
Other	2	2	0
	<u>¥ 616</u>	<u>¥ 617</u>	<u>¥ 1</u>
Non current:			
Equity securities	¥ 13,199	¥ 11,267	¥ (1,932)
Government and corporate bonds	6,203	6,261	58
Other	114	88	(26)
	<u>¥ 19,516</u>	<u>¥ 17,616</u>	<u>¥ (1,900)</u>

	Thousands of U.S. Dollars		
	Acquisition Cost	Balance sheet amount	Unrealized gain (loss)
March 31, 2004			
Current:			
Government and corporate bonds	\$13,267	\$13,305	\$38
Non current:			
Equity securities	\$112,867	\$167,952	\$55,085
Government and corporate bonds	61,733	62,086	353
Other	743	733	(10)
	<u>\$175,343</u>	<u>\$230,771</u>	<u>\$55,428</u>

It is not practical to estimate the fair value of securities as of March 31, 2004 and 2003 described below 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	<u>¥8,712</u>	<u>¥5,933</u>	<u>\$82,972</u>

Projected future redemption of available-for-sale 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
Debt securities				
Government bond securities	¥ 122	¥4,452	¥ -	¥-
Corporate bond securities	1,274	1,161	-	-
Other debt securities	-	906	-	-
Other	49	-	15	-
Total	<u>¥1,445</u>	<u>¥6,519</u>	<u>¥15</u>	<u>¥-</u>

	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
Debt securities				
Government bond securities	\$ 1,162	\$42,400	\$ -	\$-
Corporate bond securities	12,133	11,057	-	-
Other debt securities	-	8,629	-	-
Other	467	-	143	-
Total	<u>\$13,762</u>	<u>\$62,086</u>	<u>\$143</u>	<u>\$-</u>

For the years ended March 31, 2004 and 2003, proceeds from sale of available-for sale securities are ¥2,415 million (\$23,000 thousand) and ¥1,246 million, the gross realized gains are ¥898 million (\$8,552 thousand) and ¥144 million, and the gross realized losses are ¥17 million (\$162 thousand) and ¥53 million, respectively.

## 5. DERIVATIVES FOR NON-TRADING PURPOSES

The Company enters into derivative financial instruments for trading purposes and, where needed, non-trading activities.

In the normal course of business, the Company enters into derivative financial instruments to meet customer needs and reduce its own exposure to loss due to adverse fluctuations in market prices of securities, interest rates, foreign currency exchange rates or other market factors. Such derivative financial instruments are exposed to various risks, including market and credit risks. Market risk refers to the potential loss in the value of an asset resulting from changes in market prices of securities, interest rates, foreign currency exchange rates or other market factors. Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. The Company seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through position limits. Credit risk associated to these derivative financial instruments is controlled through credit limits, etc. Risk Control Section of the Company assesses derivative transactions and market risks surrounding these transactions according to the Company's policy regarding derivative transactions. The position is regularly reviewed by the directors in charge.

The Company enters into interest rate swap agreements for purposes other than trading to manage interest rate exposures. The difference in amounts to be paid or received on interest rate swap agreements is recognized over the life of the agreement as an adjustment to interest expense, if the agreements meet certain hedging criteria.

Net unrealized gain/(loss) of derivatives for non-trading purposes at March 31, 2004 and 2003 (excluding hedging transactions) consisted of the following:

	Millions of Yen		
	Contracted amount	Market value	Unrealized gains/(loss)
March 31, 2004:			
Interest rate swap	¥1,760	¥(22)	¥(22)
March 31, 2003:			
Interest rate swap	¥1,375	¥(24)	¥(24)
	Thousands of U.S. Dollars		
	Contracted amount	Market value	Unrealized gains/(loss)
March 31, 2004:			
Interest rate swap	\$16,762	\$(210)	\$(210)

## 6. COLLATERALIZED SHORT-TERM FINANCING AGREEMENTS

Collateralized short-term financing agreements at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Assets:</b>			
Securities borrowed	¥61,952	¥11,859	\$590,019
<b>Liabilities:</b>			
Securities loaned	¥27,715	¥ -	\$263,952
Sell Gensaki	10,000	407	95,238
	¥37,715	¥ 407	\$359,190

## 7. BORROWINGS

The weighted-average interest rates applicable to the short-term bank borrowings were 1.14% and 1.21% at March 31, 2004 and 2003, respectively.

Long-term borrowings at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Borrowings from banks ,due serially to 2009 with interest rates ranging from 1.70% to 3.90% (2004) and from 1.55% to 2.91% (2003):			
Collateralized	¥ 6,361	¥ 10,378	\$ 60,581
Unsecured	12,950	7,970	123,333
Total	19,311	18,348	183,914
Current portion	( 4,112)	(8,439)	(39,162)
Long-term borrowings, less current portion	¥ 15,199	¥ 9,909	\$144,752

Annual maturities of long-term borrowings at March 31, 2004, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 4,112	\$ 39,162
2006	3,645	34,714
2007	6,977	66,448
2008	3,440	32,762
2009	1,137	10,828
Total	¥19,311	\$183,914



At March 31, 2004, the Company had unused committed lines of credit amounting to ¥24,000 million (\$228,571 thousand) with 9 banks whom the Company has committed line contracts to finance efficiently.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for the present and future indebtedness will be given upon request of the banks, and that the banks shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligation due the banks.

## 8. MARGIN TRANSACTIONS

Margin transactions at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Assets:</b>			
Loans receivable from customers	¥ 87,522	¥ 35,940	\$ 833,543
Cash deposits as collateral for securities borrowed from securities finance companies	1,528	3,692	14,552
	<u>¥ 89,050</u>	<u>¥ 39,632</u>	<u>\$ 848,095</u>
<b>Liabilities:</b>			
Borrowings from securities finance companies	¥ 41,092	¥ 5,284	\$ 391,352
Proceeds of securities sold for customers' accounts	6,683	8,261	63,648
	<u>¥ 47,775</u>	<u>¥ 13,545</u>	<u>\$ 455,000</u>

Loans receivable from customers are stated at amounts equal to the purchase price of the relevant securities and are collateralized by customers' securities and customers' deposits of cash or securities. Proceeds of securities sold for customers' accounts are stated at the sales prices of the relevant securities on the respective transaction dates.

## 9. PLEDGED ASSETS

At March 31, 2004, short-term borrowings amounting to ¥30,438 million (\$289,886 thousand), loans from securities finance companies to ¥1,644 million (\$15,657 thousand), and long-term borrowings amounting to ¥4,452 million (\$42,400 thousand) were secured by the following assets:

	Millions of Yen	Thousands of U.S. Dollars
Cash on hand and in banks	¥ 2,734	\$ 26,038
Trading assets	14,597	139,019
Property and equipment, and software	9,263	88,219
Securities	19,916	189,676
	<u>¥ 46,510</u>	<u>\$ 442,952</u>

In addition to above, trading assets amounting to ¥1,749 million (\$16,657 thousand) were deposited as guarantee at March 31, 2004.

Total fair value of the securities deposited as collateral at March 31, 2004 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Payables related to margin transaction	¥ 41,652	\$ 396,686
Securities loaned	27,526	262,152
Sell Gensaki transaction	10,000	95,238
Other	79,251	754,772
	<u>¥158,429</u>	<u>\$ 1,508,848</u>

Total fair value of the securities received as collateral at March 31, 2004 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Receivables related to margin transaction	¥ 90,278	\$ 859,790
Securities borrowed	65,911	627,724
Payables to customers	71,104	677,181
Other	4,325	41,191
	<u>¥231,618</u>	<u>\$ 2,205,886</u>

## 10. PAYABLES TO CUSTOMERS

Payables to customers at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash received for customers' accounts on trading	¥ 17,004	¥ 11,828	\$ 161,943
Cash deposits received from customers mainly for margin and futures transactions	14,355	8,488	136,714
	<u>¥ 31,359</u>	<u>¥ 20,316</u>	<u>\$ 298,657</u>

## 11. RETIREMENT AND PENSION PLANS

The Company and its domestic 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 plan and contributory benefit plans provided under the Welfare Pension Insurance Law of Japan.

The funded status of pension plans at March 31, 2004 and 2003 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥ 12,887	¥ 13,222	\$ 122,733
Fair value of plan assets	(4,967)	(4,449)	(47,305)
Unrecognized actuarial gain (loss)	362	(333)	3,448
Amount recognized in the consolidated balance sheets	<u>¥ 8,282</u>	<u>¥ 8,440</u>	<u>\$ 78,876</u>

Note: Plan assets of the welfare pension fund which are not included in the above table at March 31, 2004 and 2003 were estimated to be ¥32,742 million (\$311,829 thousand) and ¥25,964 million, respectively.

The components of net periodic benefit costs for the years ended March 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 981	¥ 1,147	\$ 9,343
Interest cost	262	290	2,495
Expected return on plan assets	(20)	(132)	(190)
Recognized actuarial loss	100	267	952
Net periodic benefit costs	¥ 1,323	¥ 1,572	\$ 12,600

Note: The amount of “Severance cost” included contributions to the welfare pension fund of ¥388million (\$3,695thousand) and ¥491million for the years ended March 31, 2004 and 2003, respectively.

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	2.1%	2.1%
Expected rate of return on plan assets	0.5%	3.0%
Recognition period of actuarial gain / loss	5 years	5 years

## 12. RESERVE FOR SECURITIES TRANSACTIONS

The Securities and Exchange Law of Japan requires a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions.

## 13. SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan (the “Code”), 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.

The Code provides that an amount equal to at least 10% of appropriations paid in cash 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 distributions 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 Code.

#### **14. SURPLUS (LOSS) ON LAND REVALUATION**

Certain consolidated subsidiaries revaluated its own land for business activities in accordance with the “Law Concerning Land Revaluation” (the “Law”) effective March 31, 1998. The income taxes corresponding to the net unrealized gains are included in “Liabilities” as “Deferred tax liabilities”, and the net unrealized gains, net of deferred taxes and minority interests, are reported as “Surplus (loss) on land revaluation” in “Shareholders’ equity.”

Date of the revaluation: March 31, 2002

Method of revaluation

Fair values were determined based on the values specified in Article 2-1,2-3 and 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation.

The difference between the book value after revaluation and the fair value as of March 31, 2004 was ¥550 million (\$5,238 thousand) .

#### **15. CAPITAL ADEQUACY REQUIREMENTS (UNAUDITED)**

In Japan, securities companies are subjected to risk-based capital adequacy rules established and administered by the Financial Services Agency. Securities subsidiaries report their capital adequacy ratio as defined pursuant to these rules. The authorities will take certain administrative measures if such ratio declines below 140%. Capital adequacy ratios of Okasan Securities Co., Ltd. were 291.7% and 266.5% for 2004 and 2003, respectively.

## 16. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 41.0% 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 41.0% to 40.5% effective from the Company's fiscal year beginning April 1, 2004. Deferred income tax assets and liabilities as of March 31, 2003 which expected to be eliminated after April 1, 2004 were revaluated at a rate of 40.5%.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in 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
<b>Deferred tax assets :</b>			
Retirement benefits	¥3,135	¥3,039	\$ 29,857
Tax loss carryforwards	1,246	3,193	11,867
Allowance for doubtful accounts	812	881	7,733
Accrued expenses	965	309	9,190
Unrealized loss on available-for-sale securities	57	1,054	543
Land revaluation excess	-	246	-
Other	1,301	1,405	12,390
Valuation allowance	(301)	(63)	(2,866)
Total	¥7,215	¥10,064	\$ 68,714
<b>Deferred tax liabilities:</b>			
Unrealized gain on available-for-sale securities	¥ 2,431	¥ 299	\$ 23,152
Land revaluation excess	709	-	6,752
Other	99	58	943
Total	¥ 3,239	¥ 357	\$ 30,847
Net deferred tax assets	¥ 3,976	¥9,707	\$ 37,867

The reconciliation for the year ended March 31, 2003 were not subject to disclosure as loss before income taxes and minority interests is recorded. The statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2004 is not material.

## 17. LEASES

Total rental expenses for the years ended March 31, 2004 and 2003 were ¥1,166 million (\$11,105 thousand) and ¥1,638 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen					
	2004			2003		
	Furniture and Fixtures	Others	Total	Furniture and Fixtures	Others	Total
Acquisition cost	¥3,218	¥1,268	¥4,486	¥3,908	¥1,402	¥5,310
Accumulated depreciation	1,909	617	2,526	2,392	655	3,047
	¥1,309	¥ 651	¥1,960	¥1,516	¥ 747	¥2,263

	Thousands of U.S. Dollars		
	2004		
	Furniture and Fixtures	Others	Total
Acquisition cost	\$ 30,648	\$ 12,076	\$ 42,724
Accumulated depreciation	18,181	5,876	24,057
	\$ 12,467	\$ 6,200	\$ 18,667

Obligations under finance leases :

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 927	¥ 1,003	\$ 8,829
Due after one year	1,091	1,349	10,390
Total	¥ 2,018	¥ 2,352	\$ 19,219

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	¥ 1,067	¥ 1,535	\$ 10,162
Interest expense	70	100	667

Depreciation expense and interest expense are computed by the straight-line method and the interest method, respectively.

## 18. CONTINGENCIES

At March 31, 2004, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans for employees	¥ 519	\$4,943

## 19. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation between “Cash on hand and in banks” in the accompanying consolidated balance sheets and “Cash and cash equivalents” in the accompanying consolidated statements of cash flows as of March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of
	2004	2003	U.S. Dollars
Cash on hand and in banks	¥ 34,200	¥ 30,139	\$ 325,714
Time deposits that have maturities of over three months when acquired	(3,716)	(3,304)	(35,390)
	<u>¥ 30,484</u>	<u>¥ 26,835</u>	<u>\$ 290,324</u>

## 20. NET INCOME (LOSS) PER SHARE INFORMATION

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

	Millions of Yen		Thousands of
	2004	2003	U.S. Dollars
Net income (loss)	¥ 7,632	¥ (4,603)	\$ 72,686
Net income (loss) not applicable to common shareholders:			
Directors' bonuses	266	7	2,533
Net income (loss) applicable to common shareholders	<u>¥ 7,366</u>	<u>¥ (4,610)</u>	<u>\$ 70,153</u>

	Number of shares (Thousand)	
	2004	2003
Weighted average number of shares on which basic net income (loss) per share is calculated	196,456	196,936

## 21. SEGMENT INFORMATION

### (a) Industry segment information

The Company and its consolidated subsidiaries operate predominantly in a single industry segment. The Company and its consolidated subsidiaries' primary business activities include (1) trading in securities and derivatives, (2) brokerage of securities and derivatives, (3) underwriting and distribution of securities, (4) other business related to securities transactions and (5) private offering of securities.

### (b) Geographic segment information

Both domestic sales and assets located in Japan are over 90% of those for all segments for the years ended March 31, 2004 and 2003.

### (c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries, are less than 10% of consolidated sales for the years ended March 31, 2004 and 2003.

## 22. COMMISSIONS

Commissions derived from each department for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen				
	Equity	Fixed income (Bond)	Investment trust	Others	Total
Year ended March 31, 2004					
Brokerage	¥ 26,782	¥ 123	¥ 33	¥ -	¥ 26,938
Underwriting	551	32	-	-	583
Distribution	19	125	5,890	-	6,034
Other	282	87	744	902	2,015
	¥ 27,634	¥ 367	¥ 6,667	¥ 902	¥ 35,570

	Millions of Yen				
	Equity	Fixed income (Bond)	Investment trust	Others	Total
Year ended March 31, 2003					
Brokerage	¥ 14,963	¥ 274	¥ 61	¥ -	¥ 15,298
Underwriting	368	23	-	-	391
Distribution	5	158	4,821	-	4,984
Other	306	127	565	745	1,743
	¥ 15,642	¥ 582	¥ 5,447	¥ 745	¥ 22,416

	Thousands of U.S. Dollars				
	Equity	Fixed income (Bond)	Investment trust	Others	Total
Year ended March 31, 2004					
Brokerage	\$ 255,067	\$ 1,171	\$ 314	\$ -	\$ 256,552
Underwriting	5,248	304	-	-	5,552
Distribution	181	1,191	56,095	-	57,467
Other	2,686	829	7,086	8,590	19,191
	\$ 263,182	\$ 3,495	\$ 63,495	\$ 8,590	\$ 338,762

## 23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2004 and 2003 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Employees' compensation and benefits	¥ 25,586	¥ 23,382	\$ 243,676
Commissions and brokerage	7,034	6,441	66,991
Occupancy and rental	5,363	5,752	51,076
Data processing and office supplies	2,885	1,516	27,476
Taxes other than income taxes	338	342	3,219
Depreciation and amortization	615	950	5,857
Other	1,363	1,253	12,981
	¥ 43,184	¥ 39,636	\$ 411,276



## 24. SUBSEQUENT EVENTS

### *Appropriations of Retained Earnings*

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's shareholders meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 per share	¥ 2,962	\$ 28,210
Bonuses to directors	140	1,333

# Toyo & Co.

Member Horwath International

## Independent Auditors' Report

To the Board of Directors of  
Okasan Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Okasan Holdings, Inc. and its consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations and retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial position of Okasan Holdings, Inc. and its consolidated subsidiaries as of 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 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 1 to the consolidated financial statements.

*Toyo & Co.*

June 29, 2004  
Tokyo, Japan  
Toyo & Co.

## CORPORATE DATA

(as of March 31, 2004)

### Company Name

OKASAN HOLDINGS, INC.

### Date of Establishment

August 25, 1944

### Head Office

1-17-6 Nihonbashi, Chuo-ku,  
Tokyo 103-8268, Japan

### Phone Number

+81-3(3272)2222

### Paid-in Capital

12,897 Million Yen

### Subsidiaries and Affiliates

14 companies

### Listed Stock Exchanges

Tokyo Stock Exchange  
Osaka Securities Exchange  
Nagoya Stock Exchange

## BOARD OF DIRECTORS

(as of June 29, 2004)

### Chairman

Seiichi Kato

### President

Tetsuo Kato

### Executive Vice President

Ryohei Sekimoto

Kenichi Tanaka

### Managing Director

Hiroyuki Shinshiba

### Director

Masanori Kanai

Kazuhiko Nonaka

### Statutory Auditors

Shinsaku Machida

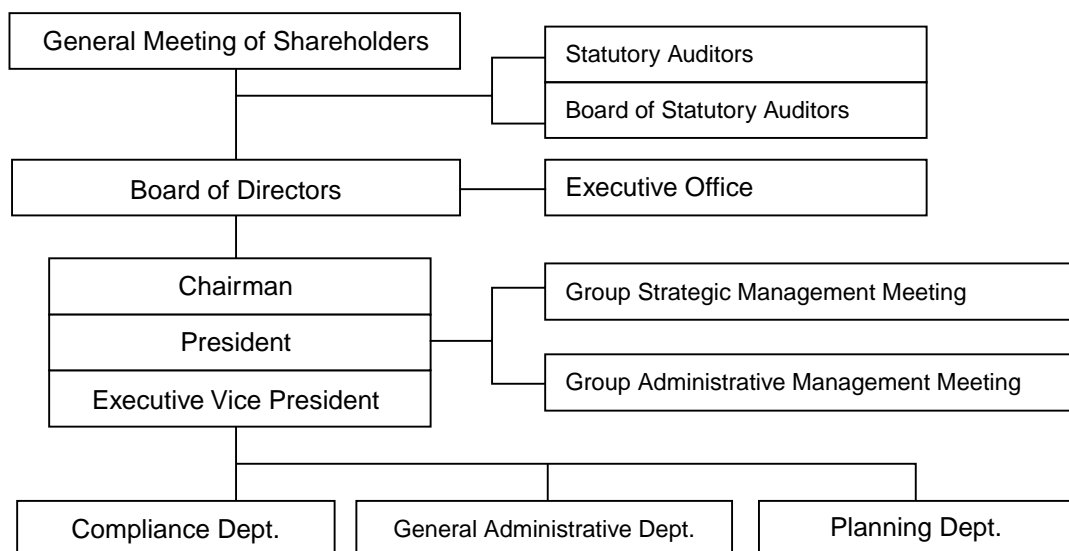
Yasunori Tan

Akira Tadokoro

Yoichi Taoka

## ORGANIZATION CHART

(as of April 1, 2004)



OKASAN HOLDINGS ,INC.

<http://www.okasan.co.jp/holdings/>