

Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2002



Tokai Tokyo Securities Co., Ltd.

Financial Summary

	In millions Yen (Earnings per share: in Yen)		
	For the fiscal year ended March 31, 2002 Tokai Tokyo Securities Co., Ltd.	For the fiscal year ended March 31, 2001 Tokai Tokyo Securities Co., Ltd.	For the six months Fiscal period ended September 30, 2000 Tokai Maruman Securities Co., Ltd.
1. Operating Income	35,507	39,602	18,032
2. Ordinary Profit	9,313	3,636	5,373
3. Net Income	11,221	513	1,834
4. Earnings per share	36.04	2.32	17.63
5. Total Assets	230,003	386,084	276,516
6. Shareholder's equity	93,466	112,118	68,683

Note

1. Following the merger with Tokyo Securities Co., Ltd., Tokai Maruman Securities Co., Ltd. was closed on September 30, 2000.
2. Figures for the fiscal year ended March 31, 2001 do not include the operating results of Tokai Maruman Securities Co., Ltd..

Financial Statements

1. Merger with Tokai Maruman Securities

Tokyo Securities Co., Ltd. merged with Tokai Maruman Securities Co., Ltd. effective from October 1, 2000 and changed its name to Tokai Tokyo Securities Co., Ltd. (hereinafter referred to as the "Company"). The fiscal year ended March 31, 2001 is the first of the merged operations. The consolidated financial statements of the Company does not include the operating results of Tokai Maruman Securities, Co., Ltd from April 1 to September 30, 2000.

2. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of the Company have been prepared in accordance with the "Regulation Relating to Terminology, Form and Methods of Preparation of Consolidated Financial Statements" (MOF Ordinance No.28 of 1976, herein after referred to as "Regulation Relating to Consolidated Financial Statements"), the "Cabinet Office Ordinance Concerning Securities Companies" (Office of Prime Minister Ordinance, MOF Ordinance No.32 of 1998) and "The Uniform Accounting Standards of Securities Companies" (the Japan Securities Dealers Association, Board of Administration Resolution, dated November 14, 1974) in conformity with Article 46 and Article 68 of the "Regulation Relating to Consolidated Financial Statements".

The consolidated financial statements for the prior fiscal year have been prepared in accordance with the "Uniform Accounting Standards of Securities Companies".

Also, the consolidated statement of financial condition and the statement of operation for this year are presented separately from the previous fiscal year since the format of the presentation of financial statements has been revised pursuant to the amended "Uniform Accounting Standards of Securities Companies".

3. Audit Certification of Financial Statements

In accordance with Article 193-2 of the Securities and Exchange Law, the Company's consolidated financial statements for current fiscal year (from April 1, 2001 to March 31, 2002) have been audited by ChuoAoyama Audit Corporation.

REPORT OF INDEPENDENT ACCOUNTANTS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

Mr. Masao Okumura

President

Tokai Tokyo Securities, Co., Ltd.

We have audited the accompanying consolidated balance sheet of Tokai Tokyo Securities, Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001 and the related consolidated income statement, consolidated statement of retained earnings, consolidated statement of cash flows, and consolidated supplementary schedules in accordance with Article 193-2 of the Securities and Exchange Law.

Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As a result of our audit:

The accounting policies applied to the consolidated financial statements referred to above complies with the accounting principles generally accepted in Japan consistently applied during the periods. The presentation of the consolidated financial statements also complies with the "Regulation Relating to Terminology, Form and Methods of Preparation of Consolidated Financial Statements" (MOF Ordinance No.28 of 1976).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokai Tokyo Securities, Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, the consolidated results of their operations and their cash flows for the year ended March 31, 2002 and 2001 in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provision of the Certified Public Accountants Law of Japan.

As described in "Basis of Presentation of Consolidated Financial Statements" and "Supplemental Information", effective from the year ended March 31, 2001, the Company has adopted new Japanese accounting standards relating to pension and retirement benefits, financial instruments and foreign currency transactions, and has prepared consolidated financial statements. In addition, as described in "Supplemental Information", effective from the year ended March 31, 2002, the Company has prepared the consolidated financial statements in accordance with the amended "Uniform Accounting Standards of Securities Companies".

Notice to Readers:

The accompanying consolidated financial statements are not intended to present the consolidated financial positions of the Company and its consolidated subsidiaries and results of their operations and their cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices used to audit such financial statements are those generally accepted and applied in Japan.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan

June 27, 2002

Consolidated Financial Statements

(1) Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: in millions of Yen)

Accounts	Period	as of March 31, 2002		Accounts	Period	as of March 31, 2001	
		Amounts	Ratio (%)			Amounts	Ratio (%)
ASSETS				ASSETS			
CURRENT ASSETS:				CURRENT ASSETS:			
Cash on hand, Cash in banks ※3		46,393		Cash on hand, Cash in banks ※3		39,354	
Deposits		16,662		Cash segregated for customers ※1		25,022	
Cash segregated for customers ※1	15,562			Deposits		1,224	
Other deposits	1,099			Advance payments		736	
Trading assets		40,185		Unsettled trade receivables		1,818	
Trading securities ※3	40,060			Cash paid for subscription		5,347	
Derivatives	125			Short-term loans		597	
Unsettled trade receivables		1,677		Accrued income		2,362	
Receivables related to margin transactions		53,210		Trading assets		50,083	
Loans on margin transactions	36,365			Trading securities ※3	49,657		
Cash collateral pledged for securities				Options	350		
Borrowed on margin transactions	16,845			Derivatives	75		
Collateralized short-term financing agreements		20,252		Receivables related to margin transactions		65,508	
Cash collateral pledged for securities borrowed	18,252			Loans on margin transactions	56,397		
Securities sold under repurchase agreements	1,999			Cash collateral pledged for securities borrowed on margin transactions	9,110		
Advance payments		264		Securities sold under repurchase agreements		3,998	
Cash paid for subscription		374		Cash collateral pledged for securities borrowed		8,004	
Short-term guaranty deposits		3,872		Securities held in custody		131,233	
Short-term loans		601		Other current assets		6,548	
Accrued income		1,735		Bad debt reserve		△339	
Other current assets		4,071		TOTAL CURRENT ASSETS		341,502	88.5
Bad debt reserve		△214		FIXED ASSETS:			
TOTAL CURRENT ASSETS		189,088	82.2	Tangible Fixed Assets ※2 ※3		16,863	
FIXED ASSETS:				Buildings	5,462		
Tangible Fixed Assets ※2 ※3		16,233		Furniture & fixtures	1,132		
Buildings	5,320			Land	10,268		
Furniture & fixtures	1,228			Intangible Assets		836	
Land	9,683			Software	556		
Intangible Assets		868		Telephone subscription rights and other assets	280		
Software	588			Investments and other assets		26,881	
Telephone subscription rights and other assets	280			Investment securities ※3 ※4	16,338		
Investments and other assets		23,813		Long-term guaranteed deposits	6,895		
Investment securities ※3 ※4	14,186			Other investments	5,952		
Long-term guaranteed deposits	5,674			Bad debt reserve	△2,304		
Other investments	5,996			TOTAL FIXED ASSETS	44,581		11.5
Bad debt reserve	△2,044			TOTAL ASSETS	386,084		100.0
TOTAL FIXED ASSETS		40,915	17.8				
TOTAL ASSETS		230,003	100.0				

Consolidated Balance Sheets

(Unit: in millions of Yen)

Accounts	As of March 31, 2002		Period	as of March 31, 2001	
	amounts	Ratio (%)		Amounts	Ratio (%)
LIABILITIES					
CURRENT LIABILITIES					
Trading liabilities		21,897			
Trading securities	21,858			29,573	
Derivatives	39			17,350	
Payables related to margin transactions		32,552		21,018	
Borrowings on margin transactions	24,660			20,899	
Cash collateral received for securities loaned on margin transactions	7,891			109	
Collateralized short-term financing agreements		21,084		8	
Cash collateral received for Securities loaned	14,619			32,316	
Securities purchased under resell agreements	6,464			26,553	
Deposits received		12,017		5,762	
Guarantee deposits received		8,061		8,805	
Short-term borrowings		30,987		10,568	
Income tax payable		76		7,356	
Accrued bonus		1,391		10,519	
Other current liabilities		1,174		123,611	
TOTAL CURRENT LIABILITIES		129,242	56.2	264,779	68.6
LONG-TERM LIABILITIES					
Deferred tax liabilities		321		27	
Retirement allowance		4,134		991	
Director's retirement allowance		712		5,025	
Negative Goodwill		576		760	
Other long-term liabilities		702		576	
TOTAL LONG-TERM LIABILITIES		6,447	2.8	8,263	2.1
STATUTORY RESERVES ※6					
Securities transaction reserve		638		542	
TOTAL STATUTORY RESERVES		638	0.3	542	0.2
TOTAL LIABILITIES		136,328	59.3	273,586	70.9
MINORITY INTERESTS		208	0.1	379	0.1
SHAREHOLDERS' EQUITY					
Common stock		36,000		36,000	
Additional paid in capital		37,834		37,834	
Retained earnings		19,704		37,163	
Valuation reserve from investment securities		418		1,280	
Foreign currency translation adjustment		△39		△153	
Treasury stock		93,917		112,124	
Parent company's stock owned by subsidiaries		△447		△2	
		△3		△3	
TOTAL SHAREHOLDERS' EQUITY		93,466	40.6	112,118	29.0
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		230,003	100.0	386,084	100.0

Consolidated Income Statement

(Unit: in millions of Yen)

Period Accounts	From April 1, 2001 to March 31, 2002		Period Accounts	From April 1, 2000 to March 31, 2001	
	Amounts	Ratio (%)		Amounts	Ratio (%)
OPERATING INCOME			OPERATING INCOME		
Commission income		25,612	Commission income	28,934	
Commissions	15,092		Commission	16,158	
Underwriting fees	809		Underwriting fees	1,007	
Subscription fees	6,138		Subscription fees	7,790	
Other commission income	3,572		Other commission income	3,977	
Trading gain/loss		8,254	Trading gain/loss	8,975	
Gain/loss on sales of other securities		0	Gain/loss on sales of other securities	0	
Financial income		1,640	Financial income	1,693	
TOTAL OPERATING INCOME		35,507	TOTAL OPERATING INCOME	39,602	100.0
Financial expenses		1,286			3.6
NET OPERATING INCOME		34,221	OPERATING EXPENSES		
OPERATING EXPENSES			Selling, general and administrative expenses	35,775	
Selling, general and administrative expenses		44,773	Trading related	4,787	
Trading related	6,013		Compensation ※1	20,734	
Compensation ※1	25,412		Real estate	5,585	
Real estate	7,247		Administrative	2,947	
Administrative	3,299		Depreciation	583	
Depreciation	1,302		Taxes other than income taxes	227	
Taxes other than income taxes	383		Other	908	
Provision for bad debt reserve	182		Financial expenses	912	
Other	931		TOTAL OPERATING EXPENSES	36,688	92.6
TOTAL OPERATING EXPENSES		44,773	OPERATING PROFIT	2,914	7.4
OPERATING LOSS		(10,552)	NON-OPERATING INCOME	742	
NON-OPERATING INCOME		1,347	Amortization of goodwill	72	
Amortization of goodwill	144		Other ※2	670	
Other ※2	1,202		NON-OPERATING EXPENSES	20	
NON-OPERATING EXPENSES		108	Loss on investment in affiliates	1	
Loss on investment in affiliates	0		Others	19	
Others	108		ORDINARY PROFIT	3,636	9.2
ORDINARY LOSS		(9,313)	EXTRAORDINARY GAIN	364	0.9
EXTRAORDINARY GAIN		2,075	Gain on sales of investment Securities	13	
Gain on sales of fixed assets	1,748		Gain on sale of TSE membership	298	
Gain on sales of investment Securities	326		Reversal of bad debt reserve	52	
EXTRAORDINARY LOSS		3,905	EXTRAORDINARY LOSS	3,020	7.6
Write-down of investment securities	736		Write-down of investment securities	731	
Loss on sales of investment bills	43		Loss on disposal of fixed assets	87	
Loss on disposal of fixed assets	645		Write-down of golf membership ※2	928	
Integration fee of Transaction Systems	783		Loss related to merger	1,019	
Integration fee of Tokyo head office	435		Integration fee of Nagoya office	136	
Integration fee of offices	201		Gain on transfer from redemption of beneficiary certificate	96	
Additional payment for employee's Retirement	964		Provision for securities transaction reserve	20	
Provision for securities transaction reserve	95		Loss before Income Taxes	980	2.5
Loss before Income Taxes		(11,143)	Income before Income Taxes	94	
Current income tax provision	123		Current income tax provision	94	
Deferred income tax asset	(40)	82	Deferred tax provision	435	1.3
Loss attributable minority interests		4	Loss attributable minority interests	62	0.1
Net loss		(11,221)	Net income	513	1.3

Consolidated Statement of Retained Earnings

(Unit: in millions of Yen)

Accounts	Period	From April 1, 2001 to March 31,2002		From April 1, 2000 to March 31,2001	
		Amounts		Amounts	
Retained earnings at the beginning of the year			37,163		2,308
Increase in retained earnings					
Merger related		—	—	35,225	35,225
Decrease in retained earnings					
Dividend paid		2,502		784	
Directors' bonus		211		98	
Redemption of treasury stock		3,523	6,236	—	883
Net (loss) income for the year			(11,221)		513
Retained earnings at the end of the year			19,704		37,163

Consolidated Statement of Cash Flows

(Unit in millions Yen)

From April 1, 2001 to March 31, 2002		From April 1, 2000 to March 31, 2001	
	Amounts		Amounts
Cash flows from Operating Activities		Cash flows from Operating Activities	
Loss before income taxes	△11,143	Income before income taxes	980
Depreciation	1,302	Depreciation	583
Amortization of negative goodwill	△144	Amortization of negative goodwill	△72
Decrease in retirement allowance	△891	Decrease in retirement allowance	△235
Decrease in directors' retirement allowance	△47	Increase in directors' retirement allowance	279
Increase in bad debt reserve	182	Decrease in bad debt reserve	△52
Interest and dividend income	△1,788	Financial income(interest and dividend)	△1,693
Interest expense	1,286	Financial expense (interest)	912
Adjustment related to extraordinary gain and loss		Adjustment related to extraordinary gain and loss	
Write-down of investment securities	736	Write-down of investment securities	731
Gain on sales of investments securities	△326	Gain on sales of investments securities	△13
Gain on sales of fixed assets	△1,748	Loss on disposal of fixed assets	87
Loss on disposal of fixed assets	645	Write-down of golf membership	928
Increase or decrease in assets		Increase or decrease in assets	
Cash segregated for customers	9,459	Cash segregated for customers	7,655
Cash paid for subscription	4,972	Trading receivable (Assets)	△3,415
Unsettled trade receivables	9,897	Cash paid for subscription	200
Receivables related to margin transactions	12,298	Unsettled trade receivables	△755
Collateralized short-term financing agreements	△8,249	Receivables related to margin transactions	57,268
Other	374	Securities sold under repurchased agreements	
Increase or decrease in liabilities		Cash collateral pledged for securities borrowed	△4,218
Deposits received	△5,650	Other	△53
Unsettled trade payables	879	Increase or decrease in liabilities	
Payables related to margin transactions	236	Deposit received	△6,712
Collateralized short-term financing agreements (liabilities)	1,710	Subscription received	△766
Guarantee deposits received	△2,458	Unsettled trade payables	1,773
Other	△399	Payables related to margin transactions	△24,855
Director's bonus	△218	Securities purchased under resell agreements	
		Cash collateral received for securities loaned	6,113
		Guarantee deposits received	△7,506
		Other	△1,962
Sub total	10,913	Sub total	25,201
Interest and dividend received	1,789	Interest and dividend received	1,838
Interest payment	△1,289	Interest payment	△952
Income tax payment	△152	Directors' bonus	△98
		Income tax payment	△678
Net cash provided by operating activities	11,261	Net cash provided by operating activities	25,309
Cash flow from investing activities		Cash flow from investing activities	
Purchase of tangible fixed assets	△1,281	Purchase of tangible fixed assets	△1,053
Proceeds from sale of tangible fixed assets	1,565	Proceeds from sale of tangible fixed assets	—
Purchase of intangible assets	△280	Purchase of intangible assets	△262
Proceeds from sale of intangible assets	0	Proceeds from sale of intangible assets	—
Purchase of investment securities	△969	Purchase of investment securities	△98
Proceeds from sale of investment securities	1,181	Proceeds from sale of investment securities	436
Payment of long-term guarantee deposits	△976	Payment of long-term guarantee deposits	△154
Proceeds from long-term guarantee deposits	2,202	Others	623
Others	522		
Net cash provided by investing activities	1,966	Net cash used for investing activities	△509
Cash flows from financing activities:		Cash flows from financing activities:	
Increase or decrease in short-term borrowings (net)	1,413	Decrease in short-term borrowings (net)	△9,733
Proceeds from long-term borrowings		Proceeds from long-term borrowings	27
Redemption of long-term borrowings	△27	Redemption of long-term borrowings	△32
Proceeds from sale of treasury stock	17	Repurchases of treasury stock	3
Repurchases of treasury stock for stock options	△463	Cash dividends	△778
Purchase of common stock for redemption	△3,523		
Cash dividends	△2,502		
Cash dividends to minority shareholders	△3		
Net cash used for financing activities	△5,089	Net cash used for financing activities	△10,513
Adjustment of foreign currency translation for cash and cash equivalents	120	Adjustment of foreign currency translation for cash and cash equivalents	65
Increase or decrease in cash and cash equivalents	8,259	Increase or decrease in cash and cash equivalents	14,352
Cash and cash equivalents at beginning of the year	37,912	Cash and cash equivalents at beginning of the year	15,375
		Increase in cash and cash equivalents from merger	8,184
Cash and cash equivalents at end of the year	46,171	Cash and cash equivalents at end of the year	37,912

Notes to the Consolidated Financial Statements

Significant Accounting Policies

1. Principles of Consolidation

(1) Scope of consolidation

Subsidiaries are, in general, the companies in which the Company 1) holds, directly and/or indirectly, more than 50% of the voting shares; 2) holds, directly and/or indirectly, 40% or more of the voting shares and, at the same time, exercises effective control over the decision-making body by directing business policy, and deciding on financial and operating policies; or 3) holds more than 50% of the voting shares together with those entities that would vote or agree to vote with the Company due to their close relationship with the Company through sharing of personnel, provision of finance and technology and other relationships and, at the same time, has effective control over the decision making body, unless evidence exists which shows that the Company does not have such control.

The names of the consolidated subsidiaries are as follows:

Tokai Tokyo Securities (Asia) Ltd.
Tokai Tokyo Research Center Co., Ltd.
Tokai Tokyo Building Management Co., Ltd.
Utsunomiya Securities Co., Ltd.
Tokai Tokyo Services Co., Ltd.
Tokai Tokyo Innovation Co., Ltd.

(2) Application of the equity method

The name of the affiliated company accounted under equity method is Tokai Tokyo Asset Management Co., Ltd.

(3) Fiscal year of consolidated subsidiaries

The financial statements of Tokai Tokyo Securities (Asia) Limited, whose fiscal year-end is December 31, are included in the consolidated financial statements on the basis of its respective fiscal year after making appropriate adjustments for significant transactions during the period from its fiscal year-end to the date of the Company's fiscal year-end. All other subsidiaries' fiscal year-ends are March 31.

2. Financial Instruments

(1) Purpose of trading activities and scopes

The purpose of trading activities is to make profits from the short-term volatility in stock prices, interest rates, foreign exchange rates and other market indices, and from arbitrage between markets, and to reduce losses arising from (a) securities such as stocks and bonds, (b) derivatives listed on exchanges such as equity index futures and options, and bond futures and options, and (c) OTC derivatives such as foreign exchange forwards and OTC bond options.

(2) Basis and Method of Valuation for Financial Instruments

① Trading

Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are held at fair value based on the mark-to-market method.

② Non-Trading

Securities held for non-trading purposes are accounted for as follows:

(a) Securities held to maturity are held at amortized cost

(b) Other securities

- Other securities that have a market quotation are held at the market price prevailing at the end of the fiscal year. Differences between the cost of securities sold determined by the moving average method and in the fair value less associated deferred taxes are recorded in the "Valuation reserve from investments securities" in "Shareholders' Equity" on the consolidated balance sheet.
- Other securities without a market quotation are valued at cost as determined by the moving average or are valued at amortized cost.

3. Depreciation method for significant depreciable assets

(1) Tangible fixed assets

Depreciation of tangible fixed assets is calculated based on the reducing-balance method. However, buildings (excluding leasehold improvements) acquired by the Company and domestic consolidated subsidiaries after April 1, 1999 are depreciated by using the straight-line method.

The estimated useful life and residual value of tangible fixed assets, used by the Company and domestic consolidated subsidiaries, are in accordance with the Japanese Corporation Tax Law.

(2) Intangible fixed assets

Amortization of intangible fixed assets is calculated on a straight-line basis. The estimated useful life, used by the Company and its domestic consolidated subsidiaries, is in accordance with the Japanese Corporation Tax Law.

Software for internal use is amortized on a straight-line basis over its economic useful life, namely 5 years.

4. Significant reserve

(1) Bad debt reserve

A reserve for bad debts is provided on the basis of historical loss experience for normal receivables. For certain receivables, for which collection is doubtful, a specific reserve equivalent to the amount of expected loss is established.

(2) Accrued bonus

Accrued bonus payable to employees is provided for at the estimated amounts that the Company and its consolidated subsidiaries are obliged to pay to employees based on internal rules.

(3) Reserve for retirement allowance

A reserve for retirement allowance is provided for by the Company and its domestic consolidated subsidiaries based on estimated retirement benefit obligations and estimated plan assets at the end of the current fiscal year.

Any actuarial differences are amortized on a straight-line basis over 10 years reflecting the average of employees' remaining service period, beginning one fiscal year after the year when the difference is determined.

The Company had two types of pension plans; (1) A combination of a funded pension plan out of which 93% of the entire retirement benefits would be payable and an amount, "Employees' retirement benefits", which covers the remaining 7% , and covers the employees of former Tokyo Securities, and (2) A funded pension plan out of which the entire retirement benefits would be payable and covers the employees of the former Tokai Maruman Securities. The Company merged the plans on October 1, 2001. At that time, the lump sum retirement benefit plan for employees from the former Tokyo Securities Co., Ltd. was abolished.

(4) Reserve for directors' retirement allowance

Amounts are accrued based on the Company's internal rule.

5. Translation of assets and liabilities denominated in foreign currencies into Japanese yen

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing at the fiscal year end. Gains and losses resulting from such translation are included in the net profit or loss for the period. A "Foreign currency translation adjustment" has been included in "Shareholders' equity" based on a revision to the "Regulation Relating to Consolidated Financial Statements". The adoption of the new method had no material impact on the accompanying consolidated statements.

6. Accounting for significant leases

Finance leases where the ownership of assets is not transferred to the lessee are accounted for as the operating leases.

7. Consumption tax

Consumption tax and local consumption taxes incurred by the Company and its consolidated subsidiaries are excluded from transaction amounts.

8. Valuation of assets and liabilities of consolidated subsidiaries

The mark-to-market method is applied to value the assets and liabilities of consolidated subsidiaries.

9. Amortization of negative goodwill

Any difference between the cost of and acquisition fair value of the net assets of the consolidated subsidiaries is recognized as negative goodwill and amortized, using the straight-line method, over 5 years.

10. Appropriation of retained earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors is subject to approval by the shareholders at a meeting which must be held within three months of the end of each financial year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements

include the results of such appropriations applicable to the immediately preceding financial year as approved at the shareholders' meeting, and effected, during the relevant year.

11. Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents disclosed in the consolidated statement of cash flows comprise cash on hand, demand deposits and ordinary deposits which can be easily liquidated on demand.

Supplemental Information

Additional disclosure of line items, reclassifications and changes in the presentation of the consolidated balance sheet at March 31, 2002 brought about by the amendment of the "Uniform Accounting Standard of the Securities Industry" ("the Standard") are as follows:

- (1) Cash segregated for customers (money held in trust) entrusted with trust banks in accordance with the Article 47-3 of the Securities and Exchange Law, which was stated separately from "Cash on hand, cash in banks" until the fiscal year ended March 31, 2001 has been reclassified, along with "Deposits", to "Deposits" in the accompanying consolidated balance sheet.
- (2) Securities borrowed and securities received as collateral, which were previously stated in liabilities such as "Short-term securities borrowed", "Securities received as collateral as guarantee", or "Other long-term liabilities" are not recorded on the balance sheet in compliance with the revised "Uniform Accounting Standard of the Securities Industry". In addition, contra accounts of these, which were previously recorded as "Securities in custody" in assets are now not stated on the balance sheet. The amount of total assets and total liabilities decreased by ¥ 110,455 million, compared with the amount that would have been reported if the new Standard had not been applied.
- (3) "Option contracts" and "Derivative contracts", which were stated separately in prior years, are now combined and disclosed as "Derivative contracts" in both assets and liabilities, respectively.
- (4) Securities sold/purchased under repurchase/resell agreements, which were separately disclosed from "Cash collateral pledged for securities borrowed" or "Cash collateral received for securities loaned" have been disclosed as "Collateralized short-term financing agreements" in the accompanying consolidated balance sheet.
- (5) Where settlement date has passed and securities have not been settled, corresponding the trade receivables and payables are recorded as "Fail to deliver" and "Fail to receive" on the balance sheet, respectively. "Fail to receive" is included in liabilities.

- (6) Subscription cash received, which was previously disclosed as “Cash received for subscription” is now included in “Deposits received.”
- (7) The net amount of “Operating revenue” and “Financial expenses” is now stated as “Net operating revenue.”
- (8) Dividends received for investment securities and interest expenses, which are unrelated to the securities business and had been disclosed as “Operating Income” or “Operating Expenses”, are now disclosed as “Finance income” in “Non operating revenue”, “Finance expenses” and “Selling, general and administrative expenses” in “Non operating expenses”, respectively. Accordingly, “finance income”, “finance expenses”, “selling, general and administrative expenses” decreased by ¥190 million, ¥33 million, and ¥25 million, respectively and “Operating loss”, “Non operating revenue”, and “Non operating expenses” increased by ¥131 million, ¥190 million, and ¥58 million, respectively, compared with the amount that would have been reported if the new Standard had not been applied. There was no impact on “Ordinary loss” and “Loss before income tax”.

Note to Consolidated Balance Sheet

1 Cash segregated for customers

Cash segregated for customers is entrusted to trust banks accordance with Paragraph 3, Article 47 of Securities and Exchange Law.

2 Accumulated depreciation on tangible fixed assets

(Year ended	(Year ended
March 31,2002)	March 31,2001)
¥3,849million	¥4,710million

3 Assets pledged as collateral

(Year ended March 31, 2002)

(Unit: in millions of Yen)

Liabilities Collateralized by the respective pledged assets		Assets pledged as collateral				
Liabilities	Balance at Year end	Deposits	Tangible Fixes Assets	Trading Securities	Investment Securities	Total
Short-term borrowings	8,650	10	331	1,444	10,275	12,062
Borrowings from financial institutions	6,020	10	331	-	8,899	9,241
Borrowings from securities finance companies	2,430	-	-	1,444	1,077	2,522
Borrowings from others	200	-	-	-	298	298
Borrowings for margin transactions	24,660	-	-	7,774	-	7,774
Cash collateral received for securities lending	14,619	-	-	11,056	-	11,056
Securities sold under repurchase agreements	6,464	-	-	4,462	-	4,462
Total	54,395	10	331	24,738	10,275	35,356

(Notes)

- Assets pledged as collateral are stated at book value at the end of year.
- In addition to the above, ¥3,308 million of stocks received as collateral from customers under self-financing margin transactions for which the Company has not utilized securities finance companies, ¥3,557 million of stocks received as collateral from customers for securities borrowed and ¥1,999 million of stocks received related to securities purchased under resell agreements are pledged as collateral for short-term borrowings, borrowings on margin transactions and others. In addition, ¥540 million of cash at banks, ¥857 million of trading securities, ¥825 million of investment securities and ¥280 million of stocks received from self-financing on margin transactions are pledged as initial margin for futures transactions.

3. The fair value of securities pledged and received as collateral at March 31, 2002 was as follows:

Fair value of securities pledged as collateral	<u>Millions of Yen</u>
Securities loaned to customers for margin transactions	8,771
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transactions	24,588
Securities loaned for collateralized short-term financing agreements	14,613
Securities pledged related to securities sold under repurchase agreements pledged related to securities	6,462
Securities pledged as collateral for short-term guarantee	7,290
Securities pledged as collateral for long-term guarantee	129
Fair value of securities received as collateral	
Securities received from customers for loans under margin transactions	34,494
Securities borrowed from finance companies or Securities exchange brokers for margin transactions	16,365
Short-term securities borrowed	18,365
Securities received related to securities purchased under resell agreements	1,999
Securities received as collateral for short-term guarantee	63,299
Securities received as collateral for long-term guarantee	187

(Year ended March 31, 2001)

(Unit: in millions of Yen)

Liabilities Collateralized by the respective pledged assets		Assets pledged as collateral			
Liabilities	Balance at Year end	Deposits	Tangible Fixed Assets	Investment Securities	Total
Short-term borrowings	8,623	510	362	10,235	11,108
Borrowings from financial institutions	5,993	510	362	8,410	9,283
Borrowings from securities finance companies	2,430	-	-	1,494	1,494
Borrowings from others	200	-	-	329	329
Borrowings for margin transactions	26,553	-	-	-	-
Total	35,177	510	362	10,235	11,108

(Notes)

- Assets pledged as collateral are stated at book value at the end of year.
 - In addition to the above, ¥8,487million of stocks received from customers for self-financing margin transactions are pledged as collateral for short-term borrowings and borrowings on margin transactions. ¥590million of cash in banks, ¥6million of trading securities, and ¥492million of stocks received from self-financing margin transactions are pledged as initial margin and for futures transactions.
- 4 Investment in subsidiaries and affiliates:
- | | |
|-------------------------------|-------------------------------|
| (Year ended
March 31,2002) | (Year ended
March 31,2001) |
| ¥93 million | ¥83 million |
- 5 Guarantees for employees ' borrowings from financial institutions:
- | | |
|-------------------------------|-------------------------------|
| (Year ended
March 31,2002) | (Year ended
March 31,2001) |
| ¥282 million | ¥361 million |
| (for 45 employees) | (for 52 employees) |
- 6 Article 51 of the Securities and Exchange Law stipulates that the Company record a statutory reserve.

-

Note to Consolidated Income Statement

(Year ended March 31, 2002)

- 1 Compensation includes ¥1,391million of accrued bonus expense, ¥2,221million for retirement allowance (including ¥1,765million contribution to the Securities Companies' Welfare Pension Fund) and ¥185million for directors' retirement allowance.
- 2 Included in "Others" non-operating income is ¥544million of house rental income and ¥144million relating to dividend received.

(Year ended March 31, 2001)

- 1 Compensation includes ¥1,712million of accrued bonus expenses, ¥615million for retirement allowance and ¥128million for directors ' retirement allowance.
- 2 From the fiscal year ended March 31, 2001, in accordance with the " Accounting Standard for Financial Instruments ("the Opinion Concerning the Establishment of Accounting Standard for Financial Statements - Business Accounting Council January 22, 1999), unrealized losses were recognized for golf memberships where the market price had declined significantly.

Write-down of fixed assets	¥359million
<u>Provision for bad debt reserve</u>	<u>¥568million</u>
Total	¥928million

Notes to Consolidated Statement of Cash Flows

1. The relationship between the amounts of cash and cash equivalents at the end of year and the consolidated balance sheet:

	(Year ended March 31,2002)	(Year ended March 31,2001)
		(Unit: in millions of Yen)
Cash on hand, cash in banks	46,393	39,354
<u>Time deposits with maturity of over 3 months</u>	<u>222</u>	<u>1,442</u>
Cash and cash equivalents	46,171	37,912

2. Significant assets and liabilities assumed from Tokai Maruman Securities Co., Ltd. on merger were as follows.

	(Unit: in millions of Yen)
Current assets	235,886
Non-current asset	<u>30,553</u>
Total assets	<u>266,439</u>
Current liabilities	193,329
Non-current liabilities	3,481
Statutory reserve	<u>449</u>
Total liabilities	<u>197,260</u>

In addition, common stock and additional paid in capital increased by ¥9,950million and ¥22,337million, respectively as a result of the merger.

Lease Transactions

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees

1. Acquisition cost, accumulated depreciation and net book value

(Unit: in millions of Yen)

	Furniture and fixtures (Tangible fixed assets)	
	Year ended March 31,2002	Year ended March 31,2001
Acquisition cost	3,265	3,033
Accumulated depreciation	1,542	1,570
Net book value at year end	1,723	1,462

2. Future lease payments

	(Year ended March 31,2002)	(Year ended March 31,2001)
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(Unit: in millions of Yen)

Due in one year or less	618	539
<u>Due after one year</u>	<u>1,230</u>	<u>979</u>
Total	1,848	1,519

3. Lease expense, depreciation and interest expense

Lease payment	705	485
Depreciation	634	437
Interest expense	109	45

4. Calculation method for depreciation

Depreciation is calculated using the straight-line method over the lease term assuming a residual value of zero.

5. Calculation method for interest expense

The difference between the total lease payment and acquisition cost is regarded as interest expense and is allocated over the life of the lease on a interest rate basis.

Securities and derivatives

(Year ended March 31, 2002)

1. Trading activities

(1) Trading activities

Current fiscal year (from April 1, 2001 to March 31, 2002)

Outline of trading activities

Products that the Company deals with in trading activities are mainly categorized into three types as follows.

- (a) Securities such as stocks and bonds
- (b) Derivatives listed on exchanges such as equity index futures and options, and bond futures and options
- (c) OTC derivatives such as foreign exchange forwards and OTC bond options

Policies and purposes of trading activities

Basic policy of trading activities for the Company is to provide accurate information service and products in order to meet various customers' needs by entering into listed transactions and OTC transactions. With respect to listed transactions, the purposes of trading activities are to make fair markets and to execute agency transactions smoothly. With respect to OTC transactions, the purposes are to form fair value and to facilitate transactions. Moreover, the purpose of the Company's trading activities is to make profits from short-term volatility in stock prices, interest rates, foreign exchange rates and other market indices, and from arbitrage between markets, and to reduce losses arising from such transactions above.

Risks on trading activities

The main risks related to trading activities that may have a material impact on the Company's financial conditions are market risk and counterparty risk.

Market risk arises from fluctuations in market price of securities, interest rates and foreign exchange rates. Counterparty risk arises when counterparties fail to fulfill their obligations.

Risk management system

Even though a securities business needs to take market risk, the associated risk has become more complex and varied as a result of the diversification of products available such as derivatives, and so risk management becomes more important.

The principle of risk management is to mitigate risks impacting the financial condition of the Company. Based on management policies and budget planned at the beginning of each fiscal year, risk limits, position limits and loss cut rules are

set, controlled and operated.

With respect to risk management systems, the Risk Control Department, which is independent of the trading departments, monitors risks, positions and profits and losses every day and they report to management and relevant departments on a daily basis. In addition, "Risk Management Committee Meeting" is held on a monthly basis and details of the reports are discussed at the Meeting.

(2) Market value of 'Trading assets and liabilities' (securities held for trading purposes)

(Unit: in millions of Yen)

Type	Current fiscal year (as of March 31, 2002)			
	Assets		Liabilities	
	Amounts on consolidated balance sheet	Unrealized gains/ losses recorded in P/L	Amounts on consolidated balance sheet	Unrealized gains/ losses recorded in P/L
Stocks and Warrants	14,216	89	10,907	335
Bonds	23,519	11	10,950	33
Commercial Paper and Certificate of Deposit	1,999	1		
Beneficiary Certificates	324	11		

(3) Market value and contract value of derivatives

(Unit: in millions of Yen)

Type	Current fiscal year (as of March 31, 2002)					
	Assets			Liabilities		
	Contract amount	Market value	Unrealized gains / losses	Contract amount	Market value	Unrealized gains / losses
Options	8,339	98	12	18,088	38	42
Foreign exchange forwards	6,083	7	7			
Futures and forwards	6,451	19	19	215	0	0
Swaps						

(Notes)

1. For foreign exchange forward contracts and future transactions, unrealized gains and losses are reported in the market value column in the table above.

2. The market value is derived as follows:

Stock options	Price used for calculating margin determined by exchanges
Stock index options	
Bonds options	

Foreign exchange forwards	Net of present values of receipt and payment are calculated by discounting amounts of receipt and payment with interest rate of each currency and are translated into Japanese Yen at the foreign exchange rate of the date
Stock index futures	Closing price on exchanges
Bonds futures	
Financial futures	Closing price on financial future exchanges
Currency futures	Closing price on overseas financial future exchanges
OTC bond options	Prices calculated from market value of underlying securities, volatility, interest rate, with reference to quotes from brokers, in general.

2. Non-trading activities

(1) Market value of bonds held to maturity

Not applicable

(2) Market value of other securities

(Unit: in millions of Yen)

Type	Current fiscal year (as of March 31, 2002)		
	Acquisition Cost	Amounts on Consolidated Balance Sheets	Difference
Securities with market value that exceed amounts on the consolidated balance sheets:	4,385	6,636	2,251
Stocks	4,385	6,636	2,251
Bonds			
Governmental/local bonds			
Corporate bonds			
Others			
Others			
Securities with market value that do not exceed amounts on the consolidated balance sheets:	5,327	3,750	1,576
Stocks	5,327	3,750	1,576
Bonds			
Governmental/local bonds			
Corporate bonds			
Others			
Others			
Total	9,712	10,387	674

(3) Other securities which were sold during the current fiscal year

(From April 1, 2001 to March 31, 2002)

(Unit: in millions of Yen)

Amounts sold	Total gains on sales	Total losses on sales
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1,181	451	124
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(4) Amounts on consolidated balance sheets and the major components of securities for which a market value is not available (except for (1) and (2) in the above)

(Unit: in millions of Yen)

Type	Current fiscal year (as of March 31, 2002)	
	Amounts on Consolidated Balance Sheet	
Bonds held to maturity		
Government bonds, Municipal bonds		
Corporate bonds		
Others		
Other securities		3,705
Stocks (non-listed)		3,705
Bonds (non-listed)		
Others		

(5) Other money held in trust (Money held in trust other than those held for the purpose of investment or held to maturity)

(Unit: in millions of Yen)

Type	Current fiscal year (as of March 31, 2002)		
	Acquisition Cost	Amounts on Consolidated Balance Sheets	Difference
Other money held in trust	4,002	4,003	0

(Year ended March 31, 2001)

1. Trading activities

(1) Trading activities

The prior fiscal year (from April 1, 2000 to March 31, 2001)

Outline of trading activities

Products that the Company deals with in trading activities are mainly categorized into three types as follows:

- (a) Securities such as stocks and bonds
- (b) Derivatives listed on exchanges such as equity index futures and options, and bond futures and options
- (c) OTC derivatives such as foreign exchange forwards and OTC bond options

Policies and purposes of trading activities

Basic policy of trading activities for the Company is to provide accurate information service and products in order to meet various customers' needs by entering into listed transactions and OTC transactions. With respect to listed

transactions, the purposes of trading activities is to make fair markets and to execute agency transactions smoothly. With respect to OTC transactions, the purposes are to form fair value and to facilitate transactions.

Risks on trading activities

The main risks related to trading activities that may have a material impact on the Company's financial conditions are market risk and counterparty risk. Market risk arises from fluctuations in market price of securities, interest rates and foreign exchange rates. Counterparty risk arises when counterparties fail to fulfill their obligations.

Risk management system

Even though a securities business needs to take market risk, the associated risk has become more complex and varied as a result of the diversification of products available such as derivatives, and so risk management becomes more important.

The principle of risk management is to mitigate risks impacting the financial condition of the Company. Based on management policies and budget planned at the beginning of each fiscal year, risk limits, position limits and loss cut rules are set, controlled and operated.

With respect to risk management system, the Risk Control Department, which is independent of the trading departments, monitors risks, positions and profits and losses every day and they report to the management and relevant departments on a daily basis. In addition, "Risk Management Meeting" is held on a monthly basis and details of the reports are discussed at the Meeting.

(2) Market value of 'Trading assets and liabilities' (securities held for trading purposes)

(Unit: in millions of Yen)

Type	Prior fiscal year (as of March 31, 2001)			
	Assets		Liabilities	
	Amounts on consolidated balance sheet	Unrealized gains/ losses recorded in P/L	Amount on consolidated balance sheet	Unrealized gains/ losses recorded in P/L
Stocks and Warrants	11,794	266	10,644	403
Bonds	33,560	8	10,255	38
Commercial Paper and Certificate of Deposits	3,999	3		

Beneficiary Certificates	302	11		
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(3) Market value and contract value of derivatives

(Unit: in millions of Yen)

Type	Prior fiscal year (as of March 31, 2001)					
	Assets			Liabilities		
	Contract amount	Market value	Unrealized gains / losses	Contract amount	Market value	Unrealized gains / losses
Options	14,163	350	98	39,271	109	24
Foreign exchange forwards	2,814	0	0			
Futures and forwards	5,800	74	74	4,049	8	8
Swaps						

(Notes)

1. For foreign exchange forward contracts and future transactions, unrealized gains and losses are reported in the market value column in the table above.

2. The market value is derived as follows:

Stock options	Price for calculating margin determined by exchanges
Stock index options	
Bonds options	
Foreign exchange forwards	Net of present values of receipt and payment are calculated by discounting amounts of receipt and payment with interest rate of each currency and are translated into Japanese Yen at foreign exchange rate of the date
Stock index futures	Closing price on exchanges
Bonds futures	
Financial futures	Closing price on financial future exchanges.
Currency futures	Closing price on overseas financial future exchanges.
OTC bond options	Prices calculated from market value of underlying securities, volatility, interest rate, with reference to quotes from brokers, in general.

2. Non-trading activities

(1) Market value of bonds held to maturity

Not applicable

(2) Market value of other securities

(Unit: in millions of Yen)

Type	Prior fiscal year (as of March 31, 2001)		
	Acquisition Cost	Amounts on Consolidated Balance Sheets	Difference
Current assets			
Bonds			
Government bonds, Municipal bonds			
Corporate bonds			
Others			
Others			
Fixed assets	11,110	12,855	1,745
Stocks	11,110	12,855	1,745
Bonds			
Government bonds			
Municipal bonds			
Corporate bonds			
Others			
Others			

(3) Other securities which were sold during the prior fiscal year

(From April 1, 2000 to March 31, 2001)

(Unit: in millions of Yen)

Amounts sold	Total gains on sales	Total losses on sales
436	49	36

(4) Amounts on consolidated balance sheets and the major components of securities for which a market value is not available (except for (1) and (2) in the above)

(Unit: in millions of Yen)

Type	Prior fiscal year (as of March 31, 2001)	
	Amounts on Consolidated Balance Sheet	
Bonds held to maturity		
Current assets		
Government bonds, Municipal bonds		
Corporate bonds		
Others		
Fixed assets		
Government bonds, Municipal bonds		
Corporate Bonds		
Others		
Other securities		3,402
Current assets		
Bonds (non-listed)		
Fixed assets		3,402
Stocks (non-listed)		3,402
Bonds (non-listed)		

Retirement benefit plan

(Year ended March 31, 2002)

1. Summary of retirement benefit plans

The Company and its domestic consolidated subsidiaries have welfare pension plan and defined benefit pension plan. Extra retirement benefit is paid to the employees at the time of termination of service in certain cases.

In addition, the Company participates in the welfare pension plan that is administered by the Securities Companies' Welfare Pension Fund.

Tokyo Securities Co., Ltd. merged with Tokai Maruman Securities Co., Ltd. on October 1, 2000, thus Tokai Tokyo Securities Co., Ltd. had two defined benefit pension plans, one related to former Tokyo Securities Co., Ltd. and the other related to former Tokai Maruman Securities Co., Ltd. The Company merged the two defined benefit pension plans on October 1, 2001. At that time, the lump sum retirement benefit plan for employees from former Tokyo Securities Co., Ltd. was abolished.

2. Projected benefits obligations (as of March 31, 2002)

(Unit: in millions of Yen)

Projected benefit obligations	10,256
<u>Plan assets</u>	<u>4,248</u>
Unfunded retirement benefit obligation (+)	6,008
<u>Unrecognized net actuarial differences</u>	<u>1,874</u>
Net amounts reported in the consolidated	
<u>balance sheets(+)</u>	<u>4,134</u>
<u>Retirement allowance</u>	<u>4,134</u>

(Notes)

1. Amounts relating to the Securities Companies' Welfare Pension Fund are not included in the above table. Plan assets of the funds that belong to our group amounted to ¥27,656million, based on a proportion of contribution.
2. Certain consolidated subsidiaries adopt the simplified method to calculate projected benefit obligation.

3. Pension expense (from April 1, 2001 to March 31, 2002)

(Unit: in millions of Yen)

Service cost (Notes 1)	2,045
Interest cost	280
Expected return on plan assets	153
<u>Amortization of actuarial differences</u>	<u>49</u>
<u>Net pension expense (+ + +)</u>	<u>2,221</u>

(Notes)

1. Service cost includes ¥1,765million of contribution to the Securities Companies' Welfare Pension Fund.
2. The net pension expenses of consolidated subsidiaries which adopt the simplified method are included in service cost.
3. Other than net pension expense described above, additional payment for employees' retirement of ¥ 933 million is recorded in "Extra ordinary Loss."

4. Assumptions used in calculation of the above are as follows:

Method of attributing the projected benefits to periods of services	Straight-line basis
Discount rate	2.0%
Expected rate of return on plan assets	2.0%
Amortization of unrecognized prior service cost	
Amortization of unrecognized actuarial differences	10 years (will be amortized on a straight-line basis over the average of employees' remaining service period from next fiscal year)

(Year ended March 31, 2001)

1. Summary of retirement benefit plans

The Company and its domestic consolidated subsidiaries have welfare pension plan, defined benefit pension plan and lump sum retirement benefit plan. Extra retirement benefit is paid to the employees at the time of termination of service in certain cases.

Tokyo Securities Co., Ltd merged with Tokai Maruman Securities Co., Ltd. on October 1, 2000, thus Tokai Tokyo Securities Co., Ltd. have two defined benefit pension plans, one related to former Tokyo Securities Co., Ltd. and the other related to former Tokai Maruman Securities Co. Ltd. The lump sum retirement benefit plan entitles to employees from former Tokyo Securities Co., Ltd.

In addition, the Company participates in the welfare pension plan that is administered by the Securities Companies' Welfare Pension Fund.

2. Projected benefits obligations (as of March 31, 2001)

(Unit: in millions of Yen)

Projected benefit obligations	10,591
<u>Plan assets</u>	<u>5,100</u>
Unfunded retirement benefit obligations (+)	5,491
<u>Unrecognized net actuarial differences</u>	<u>465</u>
Net amounts reported in the consolidated	
<u>balance sheets(+)</u>	<u>5,025</u>
<u>Retirement allowance</u>	<u>5,025</u>

(Notes)

1. Amounts relating to the Securities Companies' Welfare Pension Fund are not included in the above table. Plan assets of the funds that belong to our group was amounted to ¥16,406million, based on a proportion of contribution.
2. Certain consolidated subsidiaries adopt the simplified method to calculate projected benefit obligation.

3. Pension expense (from April 1, 2000 to March 31, 2001)

(Unit: in millions of Yen)

Service cost (Notes 2)	1,815
Interest cost	221
Expected return on plan assets	140
Amortization of differences in accounting change (Notes 3)	17
<u>Amortization of actuarial differences</u>	<u> </u>
<u>Net pension expense (+ + + +)</u>	<u>1,878</u>

(Notes)

1. Other than net pension expense described above, extra retirement benefit of ¥27million is recorded in "Compensation".
2. Service cost includes ¥1,280million of contribution to the Securities Companies' Welfare Pension Fund.
3. Amortization of differences in accounting change is recorded in non-operating income.
4. The net pension expenses of consolidated subsidiaries which adopt the simplified method are included in service cost.

4. Assumptions used in calculation of the above are as follows:

Method of attributing the projected benefits to periods of service	Straight-line basis
Discount rate	3.0%
Expected rate of return on plan assets	3.0% and 5.5%
Amortization of unrecognized prior service cost	
Amortization of unrecognized actuarial difference	10 years (will be amortized on a straight-line basis over the average of employees' remaining service period from next fiscal year)
Amortization of unrecognized differences in accounting change	Fully amortized in current fiscal year

Deferred Taxes

1. Deferred tax assets and liabilities comprise

(Unit: in millions of Yen)

	<u>as of March 31, 2002</u>	<u>as of March 31, 2001</u>
Deferred tax assets:		
Retirement allowance	1,689	2,060
Excess of provision for bad debt reserve	903	1,056
Write-off of securities	550	266
Securities transaction liabilities reserve	261	228
Directors' retirement allowance	282	318
Other	<u>756</u>	<u>612</u>
Sub-total	4,444	4,543
Operating losses	<u>8,158</u>	<u>5,594</u>
Deferred tax assets	12,602	10,138
Less-valuation allowance	<u>12,602</u>	<u>10,138</u>
Net deferred tax assets	<u><u>-</u></u>	<u><u>-</u></u>

Deferred tax liabilities:

Valuation reserve on investment securities	<u>321</u>	<u>991</u>
Deferred tax liabilities	<u><u>321</u></u>	<u><u>991</u></u>

2. Reconciliation between statutory tax rate and effective income tax rate

(Unit: %)

	<u>Prior fiscal year as of March 31, 2001</u>
Statutory tax rate	42.05
Permanent difference	1.15
Allowance for operating loss	40.16
per capita inhabitant tax	6.65
Valuation allowance	<u>44.29</u>
Effective corporate tax rate after deferred tax accounting	<u><u>53.98</u></u>

Segment information

1. Segment information by business

Our group operates principally in the securities business such as securities trading, securities agency transactions, underwriting and selling of securities, offering and selling of securities, and private offering of securities, and provides those services on a global basis.

These businesses are accompanied by providing financial and other services, and revenues are earned from these business united with such services. The business of our group is categorized in one business segment, 'Investment and financial service'.

2. Segment information by geographical area

Segment information by geographical area is not disclosed since the proportion of domestic revenue (Japan) to consolidated revenues and total assets exceeds 90%.

3. Overseas revenues (Operating income)

Overseas revenues for the current and the prior fiscal years are not disclosed since they are less than 10% of the consolidated revenues.

Related Party Transactions

Not applicable.

Ratio analysis

	<u>as of March 31, 2002</u>	<u>as of March 31, 2001</u>
Net asset per share	¥318.88	¥358.41
Net (loss)income per share	(¥ 36.04)	¥ 2.32

Net income per share after the effect of dilutive securities is not presented since there are no dilutive securities.

Supplementary Notes for Consolidation

a. Detailed list of corporate bonds

Not Applicable.

b. Detailed list of borrowings

(Unit: in millions of Yen)

Type	Balance at prior fiscal year ended	Balance at current fiscal year ended	Average of interest rate	Repayment term
Short-term borrowings	29,573	30,969	1.2 %	
Current portion of long-term borrowings	9	18	1.8	
Long-term borrowing (except for current portion)	18			
Other liabilities with interest				
Borrowing on margin transactions	26,553	24,660	0.6	
Cash collateral received for securities lending		14,619		
Securities sold under repurchase agreements		6,464		
Total	56,154	76,732		

(Notes)

Average interest rate means the weighted average interest rate on borrowings as at year end.

(2) Others

Not Applicable.

Company Information

Board of Directors and Statutory Auditors

(as of June 27, 2002)

(Directors)

President

Masao Okumura

Vice-president

Terukazu Hirooka

Senior Managing Directors

Kiyoshi Asakawa

Yasuo Kobayashi

Managing Directors

Fumio Haruna

Shigeki Nagano

Yoshihiro Shiraishi

Masataka Noda

Akira Tanaka

Toshiyuki Ihara

Kimihiko Funahashi

(Statutory Auditors)

Yoshihiro Nakamura

Osamu Yamasaki

Hideki Mogi

Akira Nishigaki

Atsuo Mihara

(Executive Officers)

Michihiro Doumae

Syunji Saratani

Tadahiko Tsushima

Kazue Kobayashi

Syuji Murase

Tadashi Kaneko

Hajime Watanabe

Takashi Matsunaga

Takayoshi Matsuzawa

Yasuo Takamatsu

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Domestic Affiliates

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Tokai Tokyo Real Estate Management Co., Ltd.
Utsunomiya Securities Co., Ltd.
Tokai Tokyo Services Co., Ltd.
Tokai Tokyo Innovation Co., Ltd.
Tokai Tokyo Investment Management Co., Ltd.

Major Shareholders

The UFJ Bank, Ltd.
Nikko Asset Management Co., Ltd.
The Nikko Cordial Securities Co., Ltd.
The Chuo-Mitsui Trust and Banking Co., Ltd.
The Yasuda Life Insurance Company
The Sumitomo Life Insurance Company

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