

# Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2003



Tokai Tokyo Securities Co., Ltd.

## Financial Summary

	In millions of Yen (Earnings Per Share: in Yen)	
	For the fiscal year ended March 31, 2003 Tokai Tokyo Securities Co., Ltd.	For the fiscal year ended March 31, 2002 Tokai Tokyo Securities Co., Ltd.
1. Operating Income	28,052	35,507
2. Ordinary Loss	9,852	9,313
3. Net Loss	16,858	11,221
4. Earnings Per Share	57.75	36.04
5. Total Assets	208,768	230,003
6. Shareholders' Equity	74,879	93,466
7. Capital Ratio (*1)	35.9 %	40.6 %
8. Cash flows from Operating Activities	18,196	11,261
9. Cash flows from Investing Activities	1,936	1,966
10. Cash flows from Financing Activities	4,846	5,089
11. Cash and cash equivalents at the end of the year	24,968	46,171
12. No. of Employees	2,136	2,671

(\*1) Capital Ratio on the consolidation basis is calculated as follows:

$$\text{Capital Ratio} = \frac{\text{Total Shareholders' Equity}}{(\text{Total Liabilities, Minority Interests, and Shareholders' Equity})}$$

## Financial Statements

### 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokai Tokyo Securities Co., Ltd. (herein after referred to as 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 "Regulation Relating to Consolidated Financial Statements" were revised in October 2002.

The revised "Regulation Relating to Consolidated Financial Statements" are effective after the accounting periods beginning April 1, 2002. The consolidated financial statements for the prior fiscal year have been prepared in accordance with the old "Regulation Relating to Consolidated Financial Statements".

### 2. Audit Certification of Financial Statements

In accordance with Article 193-2 of the Securities and Exchange Law, the Company's consolidated financial statements for the current fiscal year (from April 1, 2002 to March 31, 2003) and the prior fiscal year (from April 1, 2001 to March 31, 2002) have been audited by ChuoAoyama Audit Corporation.

Report of Independent Auditors

To the Board of Directors and Shareholders of  
Tokai Tokyo Securities Co., Ltd.

We have audited the accompanying consolidated balance sheets of Tokai Tokyo Securities Co., Ltd. and its subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, capital surplus and retained earnings, and cash flows for the years then ended, all expressed in Japanese Yen. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Tokai Tokyo Securities Co., Ltd. and its subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation  
Tokyo, Japan  
June 27, 2003

Notice to Readers:

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

# Consolidated Financial Statements

## (1) Consolidated Financial Statements

### Consolidated Balance Sheets

(Unit: in millions of Yen)

<div>Period</div> <div>Accounts</div>	As of March 31, 2003			As of March 31, 2002		
	Amounts		Ratio (%)	Amounts		Ratio (%)
ASSETS						
CURRENT ASSETS:						
Cash on hand, Cash in banks	3		25,669		46,393	
Deposits			23,527		16,662	
Cash segregated for customers	1	22,949		15,562		
Other deposits		578		1,099		
Trading assets			44,928		40,185	
Trading securities	3	44,867		40,060		
Derivatives		60		125		
Unsettled trade receivables			2,506		1,677	
Receivables related to margin transactions			36,900		53,210	
Loans on margin transactions		29,195		36,365		
Cash collateral pledged for securities borrowed on margin transactions		7,705		16,845		
Collateralized short - term financing agreements			35,602		20,252	
Cash collateral pledged for securities borrowed		25,606		18,252		
Securities purchased under resell agreements		9,995		1,999		
Advance payments			431		264	
Cash paid for subscription			1,225		374	
Short- term guarantee deposits			1,781		3,872	
Short- term loans			357		601	
Accrued income			1,415		1,735	
Other current assets			585		4,071	
Bad debt reserve			197		214	
TOTAL CURRENT ASSETS			174,734	83.7	189,088	82.2
FIXED ASSETS:						
Tangible Fixed Assets	2    3		14,592		16,233	
Buildings		4,718		5,320		
Furniture & fixtures		1,029		1,228		
Land		8,844		9,683		
Intangible Assets			774		868	
Software		546		588		
Telephone subscription rights and other assets		227		280		
Investments and other assets			18,665		23,813	
Investment securities	3    4	11,375		14,186		
Long- term guaranteed deposits		4,830		5,674		
Other investments		4,316		5,996		
Bad debt reserve		1,856		2,044		
TOTAL FIXED ASSETS			34,033	16.3	40,915	17.8
TOTAL ASSETS			208,768	100.0	230,003	100.0

# Consolidated Balance Sheets

(Unit: in millions of Yen)

(Unit: in millions of Yen)

Accounts \ Period	As of March 31.2003			As of March 31.2002		
	Amounts		Ratio (%)	Amounts		Ratio (%)
LIABILITIES						
CURRENT LIABILITIES						
Trading liabilities		22,750			21,897	
Trading securities	22,732			21,858		
Derivatives	17			39		
Payables related to margin transactions		19,028			32,552	
Borrowings on margin transactions	13,484			24,660		
Cash collateral received for securities loaned on margin transactions	5,543			7,891		
Collateralized short- term financing agreements		38,442			21,084	
Cash collateral received for Securities loaned	24,648			14,619		
Securities sold under repurchase agreements	13,794			6,464		
Deposits received		11,146			12,017	
Guarantee deposits received		5,220			8,061	
Short- term borrowings		27,777			30,987	
Income tax payable		77			76	
Accrued bonus		877			1,391	
Other current liabilities		1,334			1,174	
TOTAL CURRENT LIABILITIES		126,655	60.7		129,242	56.2
LONG- TERM LIABILITIES						
Deferred tax liabilities		333			321	
Retirement allowance		4,177			4,134	
Director's retirement allowance		455			712	
Negative Goodwill		731			576	
Other long-term liabilities		725			702	
TOTAL LONG- TERM LIABILITIES		6,423	3.1		6,447	2.8
STATUTORY RESERVES 6						
Securities transaction reserve		517			638	
TOTAL STATUTORY RESERVES		517	0.2		638	0.3
TOTAL LIABILITIES		133,597	64.0		136,328	59.3
MINORITY INTERESTS		291	0.1		208	0.1
SHAREHOLDERS' EQUITY						
Common stock		36,000			36,000	
Capital surplus		37,834			37,834	
Retained earnings		1,966			19,704	
Valuation reserve from investment securities		448			418	
Foreign currency translation adjustment		120			39	
Treasury stock 7		1,249			447	
Parent company's stock owned by subsidiaries					3	
TOTAL SHAREHOLDERS' EQUITY		74,879	35.9		93,466	40.6
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		208,768	100.0		230,003	100.0

# Consolidated Statements of Income

(Unit: in millions of Yen)

Period Accounts	From April 1,2002 to March 31,2003			From April 1,2001 to March 31,2002		
	Amounts		Ratio (%)	Amounts		Ratio (%)
<b>OPERATING INCOME</b>						
Commission income		20,356			25,612	
Commissions	13,081			15,092		
Underwriting fees	552			809		
Subscription fees	3,811			6,138		
Other commission income	2,910			3,572		
Trading gain/loss		6,522			8,254	
Gain/loss on sales of other securities		0			0	
Financial income		1,173			1,640	
<b>TOTAL OPERATING INCOME</b>		<b>28,052</b>	<b>100.0</b>		<b>35,507</b>	<b>100.0</b>
Financial expenses		881	3.1		1,286	3.6
<b>NET OPERATING INCOME</b>		<b>27,170</b>	<b>96.9</b>		<b>34,221</b>	<b>96.4</b>
<b>OPERATING EXPENSES</b>						
Selling, general and administrative expenses		38,053			44,773	
Trading related	4,636			6,013		
Compensation 1	21,104			25,412		
Real estate	6,339			7,247		
Administrative	3,028			3,299		
Depreciation	1,721			1,302		
Taxes other than income taxes	303			383		
Provision for bad debt reserve				182		
Other	918			931		
<b>TOTAL OPERATING EXPENSES</b>		<b>38,053</b>	<b>135.7</b>		<b>44,773</b>	<b>126.1</b>
<b>OPERATING LOSS</b>		<b>(10,882)</b>	<b>38.8</b>		<b>(10,552)</b>	<b>29.7</b>
<b>NON-OPERATING INCOME</b>		<b>1,107</b>			<b>1,347</b>	
Amortization of negative goodwill	172			144		
Other 2	935			1,202		
<b>NON-OPERATING EXPENSES</b>		<b>(77)</b>			<b>(108)</b>	
Loss on investment in affiliates	0			0		
Others	(76)			(10)8		
<b>ORDINARY LOSS</b>		<b>(9,852)</b>	<b>35.1</b>		<b>(9,313)</b>	<b>26.2</b>
<b>EXTRAORDINARY GAIN</b>		<b>258</b>	<b>0.9</b>		<b>2,075</b>	<b>5.8</b>
Gain on sales of investment Securities	95			326		
Reversal of provision for securities transaction reserve	121					
Reversal of allowance for bad debts	41					
Gain on sales of fixed assets 3				1,748		
<b>EXTRAORDINARY LOSS</b>		<b>7,234</b>	<b>25.8</b>		<b>3,905</b>	<b>11.0</b>
Write-down of investment securities	2,905			736		
Depreciation for the past fiscal year	350					
Loss from sale of fixed assets 3	834					
Loss on disposal of fixed assets	222			645		
System alteration costs	569					
Integration fee of offices	103			201		
Additional payment for employee's retirement	2,247			964		
Integration fee of Transaction Systems				783		
Loss on sales of investment bills				43		
Integration fee of Tokyo head office				435		
Provision for securities transaction reserve				95		
<b>Loss before Income Taxes</b>		<b>(16,828)</b>	<b>60.0</b>		<b>(11,143)</b>	<b>31.4</b>
<b>INCOME TAXES</b>		<b>49</b>	<b>0.2</b>		<b>82</b>	<b>0.2</b>
Current	58			123		
Deferred	8			40		
<b>Loss attributable minority interests</b>		<b>19</b>	<b>0.1</b>		<b>4</b>	<b>0.0</b>
<b>Net loss</b>		<b>(16,858)</b>	<b>60.1</b>		<b>(11,221)</b>	<b>31.6</b>

# Consolidated Statements of Capital Surplus and Retained Earnings

(Unit: in millions of Yen)

<div>Accounts</div> <div>Period</div>		From April 1, 2002 To March 31,2003		From April 1, 2001 To March 31,2002	
		Amounts		Amounts	
Capital Surplus					
Balance of capital surplus at the beginning of the year			37,834		37,834
Balance of capital surplus at the end of year			37,834		37,834
Retained Earnings					
Balance of retained earnings at the beginning of the year			19,704		37,163
Decrease in retained earnings					
Dividend paid		879		2,502	
Director's bonus				211	
Redemption of treasury stock				3,523	
Net loss for the year		16,858	17,738	11,221	17,457
Balance of retained earnings at the end of year			1,966		19,704



# Consolidated Statements of Cash Flows

(Unit in millions Yen)

	From April 1, 2002 to March 31, 2003	From April 1, 2001 to March 31, 2002
	Amounts	Amounts
Cash flows from Operating Activities		
Loss before income taxes	16,828	11,143
Depreciation	1,721	1,302
Amortization of negative goodwill	172	144
Increase (decrease) in retirement allowance	42	891
Decrease in directors' retirement allowance	268	47
(Decrease) increase in bad debt reserve	41	182
Interest and dividend income	1,310	1,788
Interest expense	881	1,286
Adjustment related to extraordinary gain and loss		
Write-down of investment securities	2,905	736
Gain on sales of investments securities	95	326
Depreciation for the past fiscal year	350	
Gain on sales of fixed assets		1,748
Loss from sale of fixed assets	834	
Loss on disposal of fixed assets	222	645
Increase or decrease in assets		
Cash segregated for customers	7,386	9,459
Cash paid for subscription	850	4,972
Unsettled trade receivables	4,743	9,897
Receivables related to margin transactions	16,310	12,298
Collateralized short-term financing agreements	15,350	8,249
Other	4,691	374
Increase or decrease in liabilities		
Deposits received	851	5,650
Unsettled trade payables	853	879
Payables related to margin transactions	13,522	236
Collateralized short-term financing agreements (liabilities)	17,358	1,710
Guarantee deposits received	2,840	2,458
Other	410	399
Directors' Bonus		218
Sub Total	18,500	10,913
Interest and dividend received	1,330	1,789
Interest payment	968	1,289
Income tax payment	58	152
Net cash provided by operating activities	18,196	11,261
Cash flow from investing activities		
Purchase of tangible fixed assets	212	1,281
Proceeds from sale of tangible fixed assets	1,018	1,565
Purchase of intangible assets	181	280
Proceeds from sale of intangible assets		0
Purchase of investment securities	107	969
Proceeds from sale of investment securities	360	1,181
Purchase of acquiring shares of subsidiaries	11	
Increase in addition of subsidiaries	186	
Payment of long-term guarantee deposits	97	976
Proceeds from long-term guarantee deposits	1,023	2,202
Others	42	522
Net cash provided by investing activities	1,936	1,966
Cash flows from financing activities:		
(Decrease) increase or decrease in short-term borrowings (net)	3,165	1,413
Redemption of long-term borrowings		27
Proceeds from sale of treasury stock		17
Purchase of acquiring treasury stock	801	
Repurchases of treasury stock for stock options		463
Purchase of common stock for redemption		3,523
Cash dividends	879	2,502
Cash dividends to minority shareholders		3
Net cash used for financing activities	4,846	5,089
Adjustment of foreign currency translation for cash and cash equivalents	96	120
Increase or decrease in cash and cash equivalents	21,203	8,259
Cash and cash equivalents at the beginning of the year	46,171	37,912
Cash and cash equivalents at the end of the year	24,968	46,171

## 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 as of March 31, 2003 are as follows:

Tokai Tokyo Securities (Asia) Ltd.

Tokai Tokyo Research Center Co., Ltd.

Tokai Tokyo Building Management Co., Ltd. (\* 1 )

Utsunomiya Securities Co., Ltd.

Tokai Tokyo Services Co., Ltd.

Tokai Tokyo Innovation Co., Ltd.

Tokai Tokyo Asset Management Co., Ltd. (\* 2 )

\* 1 Tokai Tokyo Building Management Co., Ltd. merged into Tokai Tokyo Services Co., Ltd. on April 1, 2003.

\* 2 In February 2003, the Company purchased shares of Tokai Tokyo Asset Management Co., Ltd., which previously accounted for under the equity method, and consolidated only balance sheet items of this new subsidiary for the year ended March 31, 2003 by assuming the purchase date was March 31, 2003.

##### (2) Application of the equity method

Operating losses of Tokai Tokyo Asset Management Co., Ltd. were included in the consolidated financial statements by applying equity method for the year ended March 31, 2003 and 2002.

(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 scope

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

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.

Non-Trading

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

Other securities

- (a) 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 held determined by the moving average method and the fair value less associated deferred taxes are recorded in the "Valuation reserve from investment securities" in "Shareholders' Equity" on the consolidated balance sheets.
- (b) 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 declining-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 the 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 the straight-line basis over its economic useful life, namely 5 years.

The Company decided to retire the current systems during the first half of the subsequent fiscal year and the economic useful life of software and long-term prepaid payments relating to the system was shortened. The adjustment of residual value of ¥ 350 million at the beginning of this fiscal year caused from the shortened economic useful life was included in extraordinary loss as “Depreciation for the past fiscal year”. Consequently, “Selling, General and Administrative Expenses (Depreciation)”, “Operating Loss” and “Ordinary Loss” increased by ¥ 428 million, respectively. “Loss before Income Taxes” increased by ¥ 779 million.

4. Significant reserve

(1) Bad debt reserve

Reserve for bad debts is provided on the basis of historical loss experience for 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

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 the 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.

(4) Reserve for directors' retirement allowance

Reserve for directors' retirement allowance is provided for at the estimated amounts that the Company and its domestic consolidated subsidiaries are obliged to pay to directors based on the internal rule.

5. Translation of foreign currencies

Assets and liabilities denominated in foreign currencies, whether long term or short term, are translated in Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period. In translating the financial statements of subsidiaries or affiliates stated in foreign currencies into yen, for purposes of consolidation with the Company or for application of the equity method, all assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are included in "Foreign currency translation adjustment" in "Shareholders' equity".

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 domestic 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 if cost exceeded fair value, 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 statements of cash flows

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

## Notes to Consolidated Balance Sheet

### 1 Cash segregated for customers

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

### 2 Accumulated depreciation on tangible fixed assets

	(Year ended March 31, 2003)	(Year ended March 31, 2002)
	¥4,218million	¥3,849million

### 3 Assets pledged as collateral

(Year ended March 31, 2003)

(Unit: in millions of Yen)

Liabilities Collateralized by the Respective Pledged Assets		Assets Pledged as Collateral				
Liabilities	Balance at Year end	Cash in banks	Tangible Fixes Assets	Trading Securities	Investment Securities	Total
Short-term borrowings	9,701	50	306	1,127	8,069	9,553
Borrowings from financial institutions	7,071	50	306	-	7,709	8,065
Borrowings from securities finance companies	2,430	-	-	1,127	36	1,164
Borrowings from others	200	-	-	-	323	323
Borrowings for margin transactions	13,484	-	-	690	-	690
Cash collateral received for securities lending	24,648	-	-	22,884	-	22,884
Securities sold under repurchase agreements	13,794	-	-	3,798	-	3,798
Total	61,629	50	306	28,501	8,069	36,926

(Notes)

- Assets pledged as collateral are stated at book value at the end of the year.
- In addition to the above, ¥4,828 million of stocks received as collateral from customers under self-financing margin transactions for which the Company has not utilized securities finance companies are pledged as collateral for short-term borrowings, borrowings on margin transactions and others.  
In addition, ¥520 million of cash at banks, ¥235 million of trading securities, ¥391 million of investment securities and ¥696 million of stocks received from self-financing on margin transactions are pledged as initial margin for futures transactions.
- The fair value of securities pledged and received as collateral at March 31, 2003 was as follows:

Fair value of securities pledged as collateral	<u>Millions of Yen</u>
Securities loaned to customers for margin transactions	5,881
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transactions	12,515
Securities loaned for collateralized short-term financing agreements	24,622
Securities pledged related to securities sold under repurchase agreements	13,796
Securities pledged as collateral for short-term guarantee	9,685
Securities pledged as collateral for long-term guarantee	126
Fair value of securities received as collateral	
Securities received from customers for loans under margin transactions	24,584
Securities borrowed from finance companies or securities exchange brokers for margin transactions	7,424
Short-term securities borrowed	25,632
Securities received related to securities purchased under resell agreements	9,998
Securities received as collateral for short-term guarantee	41,881
Securities received as collateral for long-term guarantee	134
Others	675



(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	Cash in banks	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 the 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.
- The fair value of securities pledged and received as collateral at March 31, 2002 was as follows:

Fair value of securities pledged as collateral	Millions of Yen
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	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	16,802
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

4 Investment in subsidiaries and affiliates:

(Year ended March 31, 2003)	(Year ended March 31, 2002)
	¥93 million

5 Guarantees for employees' borrowings from financial institutions:

(Year ended March 31, 2003)	(Year ended March 31, 2002)
¥161 million (for 28 employees)	¥282 million (for 45 employees)

6 Article 51 of the Securities and Exchange Law stipulates that the Company record a statutory reserve.

7 8,902 shares of treasury shares owned by the Company as of March 31, 2003.

## Note to Consolidated Income Statement

(Year ended March 31, 2003)

- 1 “Compensation” includes ¥874 million of accrued bonus expense, ¥2,655million for retirement allowance ( including ¥1,515 million of contribution to the Japan Securities Companies’ Welfare Pension Fund) and ¥90 million for directors’ retirement allowance.
- 2 Included in “Other” non-operating income is ¥533 million of house rental income and ¥135 million relating to dividend received.
- 3 Included in “Loss on sale of fixed assets” of ¥ 834 million is ¥ 802 million relating to lands and buildings and ¥ 31 million relating to telephone rights, etc.

(Year ended March 31, 2002)

- 1 “Compensation” includes ¥1,391 million of accrued bonus expense, ¥2,221million for retirement allowance (including ¥1,765 million of contribution to the Japan Securities Companies’ Welfare Pension Fund) and ¥185 million for directors’ retirement allowance.
- 2 Included in “Other” of non-operating income is ¥544 million of house rental income and ¥144 million relating to dividend received.
- 3 Included in “Gain on sale of fixed assets” of ¥ 1,748 million is relating to lands and buildings.

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 31,2003)	(Year ended March 31,2002)
	(Unit: in millions of Yen)	
Cash on hand, cash in banks	25,669	46,393
<u>Time deposits with maturity of over 3 months</u>	<u>700</u>	<u>222</u>
Cash and cash equivalents	24,968	46,171

2. Significant assets and liabilities inherited from Tokai Tokyo Asset Management Co., Ltd. consolidated for the first time from the fiscal year ended March 31, 2003, consisted of the following:

	(Unit: in millions of Yen)
Current assets	333
Non-current asset	365
Current liabilities	10
Non-current liabilities	11
Negative Goodwill	282
Minority Interests	162
Value of investment securities based on the equity method	91
Acquisition cost of the new consolidated subsidiary	<u>139</u>
Cash and cash equivalents of the new consolidated Subsidiary	<u>326</u>
Net: Increase of cash and cash equivalents from the new consolidated subsidiary	<u>186</u>

## 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 31,2003	Year ended March 31,2002
Acquisition cost	2,753	3,265
Accumulated depreciation	1,624	1,542
Net book value at year end	1,128	1,723

### 2. Future lease payments

(Year ended March 31,2003) (Year ended March 31,2002)

(Unit: in millions of Yen)

Due in one year or less	492	618
<u>Due after one year</u>	<u>724</u>	<u>1,230</u>
Total	1,216	1,848

### 3. Lease expense, depreciation and interest expense

Lease payment	674	705
Depreciation	562	634
Interest expense	88	109

### 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 the interest rate basis.

## Securities and Derivatives

(Year ended March 31, 2003)

### 1. Trading activities

#### (1) Trading activities

Current fiscal year (from April 1, 2002 to March 31, 2003)

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 purpose 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, 2003)			
	Assets		Liabilities	
	Amounts on consolidated balance sheets	Unrealized gains/ losses recorded in P/L	Amounts on consolidated balance sheets	Unrealized gains/ losses recorded in P/L
Stocks and Warrants	4,071	59	3,561	277
Bonds	38,551	96	19,171	42
Commercial Paper and Certificate of Deposit	1,999	0		
Beneficiary Certificates	243	12		

- (3) Notional amount and market value of derivatives

(Unit: in millions of Yen)

Type	Current fiscal year (as of March 31, 2003)					
	Assets			Liabilities		
	Notional amount	Market value	Unrealized gains / losses	Notional amount	Market value	Unrealized gains / losses
Options	10,992	28	3	2,096	13	9
Foreign exchange forwards	2,219	4	4			
Futures and forwards	1,813	28	28	3,572	4	4

(Notes)

- For foreign exchange forward contracts and future transactions, unrealized gains and losses are reported in the market value column in the table above.
- The market value is derived as follows:
 

Stock options	Price used for calculating margin determined by
Stock index options	exchanges
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, 2003)		
	Acquisition Cost	Amounts on Consolidated Balance Sheets (market value)	Difference
Securities with market value that exceed acquisition cost:	3,065	4,202	1,136
Stocks	2,924	4,054	1,130
Bonds			
Governmental/local bonds			
Corporate bonds			
Others			
Others	141	147	6
Securities with market value that do not exceed acquisition cost:	4,959	4,559	400
Stocks	4,086	4,435	371
Bonds			
Governmental/local bonds			
Corporate bonds			
Others			
Others	152	123	29
Total	8,025	8,761	735



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

(From April 1, 2002 to March 31, 2003)

(Unit: in millions of Yen)

Amounts sold	Total gains on sales	Total losses on sales
360	97	2

(4) Amounts on consolidated balance sheets and the major components of securities for which 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, 2003)	
	Amounts on Consolidated Balance Sheet	
Bonds held to maturity		
Government bonds, Municipal bonds		
Corporate bonds		
Others		
Other securities	2,614	
Stocks (non-listed)	2,614	
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, 2003)		
	Acquisition Cost	Amounts on Consolidated Balance Sheets	Difference
Other money held in trust	2,000	2,000	0

(Year ended March 31, 2002)

1. Trading activities

(1) Trading activities

Prior 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	Prior fiscal year (as of March 31, 2002)			
	Assets		Liabilities	
	Amounts on consolidated balance sheets	Unrealized gains/ losses recorded in P/L	Amounts on consolidated balance sheets	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	Prior 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)

- For foreign exchange forward contracts and future transactions, unrealized gains and losses are reported in the market value column in the table above.
- 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	Prior fiscal year (as of March 31, 2002)		
	Acquisition Cost	Amounts on Consolidated Balance Sheets (market value)	Difference
Securities with market value that exceed acquisition cost:	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 acquisition cost:	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 prior 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
1,181	451	124

(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, 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	Prior 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

### Retirement benefit plan

(Year ended March 31, 2003)

#### 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.

#### 2. Projected benefits obligations (as of March 31, 2003)

	(Unit: in millions of Yen)
Projected benefit obligations	8,530
Plan assets	2,356
Unfunded retirement benefit obligation ( + )	6,174
Unrecognized net actuarial differences	1,997
Net amounts reported in the consolidated balance sheets( + )	4,177
Retirement allowance	4,177

(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 ¥21,987 million, 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, 2002 to March 31, 2003)

	(Unit: in millions of Yen)
Service cost (Notes 1)	2,356
Interest cost	191
Expected return on plan assets	84
Amortization of actuarial differences	192
Net pension expense ( + + + )	2,655

(Notes)

1. Service cost includes ¥1,515 million 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 ¥ 2,031 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, 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
Plan assets	4,248
Unfunded retirement benefit obligation ( + )	6,008
Unrecognized net actuarial differences	1,874
Net amounts reported in the consolidated balance sheets( + )	4,134
Retirement allowance	4,134

(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)



## Deferred Taxes

### 1. Deferred tax assets and liabilities comprise:

(Unit: in millions of Yen)

	<u>As of March 31, 2003</u>	<u>As of March 31, 2002</u>
Deferred tax assets:		
Retirement allowance	1,625	1,689
Excess of provision for bad debt reserve	783	903
Write-off of securities	1,486	550
Securities transaction liabilities reserve	204	261
Directors' retirement allowance	178	282
Other	<u>1,003</u>	<u>756</u>
Sub-total	5,283	4,444
Tax loss carried forward	<u>11,997</u>	<u>8,158</u>
Deferred tax assets	17,281	12,602
Less-valuation allowance	<u>17,281</u>	<u>12,602</u>
Net deferred tax assets	<u>-</u>	<u>-</u>
Deferred tax liabilities:		
Valuation reserve on investment securities	316	<u>321</u>
Other	<u>16</u>	
Deferred tax liabilities	<u>333</u>	<u>321</u>

### 2. Effective income tax rate

The rate change of enterprise taxes was announced and this has impact on temporary differences, which will be realized after April 1, 2004. Consequently, the effective statutory income tax rate decreased from 41.83% for the prior fiscal year to 39.55% for the current fiscal year.

## 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

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended 31st March, 2003 and 2002 were as follows:

Name of Related Company	Paid-in Capital	Principal Business	Equity Ownership Percentage by the related company	Millions of Yen					
				Description of the Transaction	Transactions		Resulting Accounting Balance		
					For the year ended 31st March		Account	At 31st March,	
					2003	2002		2003	2002
UFJ Bank (Nagoya)	¥843,582 million	Banking Business	Directly 12.50%	Interest expense	¥ 98	¥ 75	Short-term Borrowing	¥9,100	¥6,100
				Commitment Line Contract	¥12	¥			

The terms and conditions of the above transactions are on an arm's-length basis.

Name of Related Company	Paid-in Capital	Principal Business	Equity Ownership Percentage by the related company	Millions of Yen					
				Description of the Company's Transactions	Transactions		Resulting Accounting Balance		
					For the year ended 31st March		Account	At 31st March,	
					2003	2002		2003	2002
UFJ Tsubasa Securities	¥25,107 million (2003)	Securities Business	-%	Securities Borrowed	¥ 894,875	¥ 43,700	Cash collateral pledged for securities borrowed	¥5,617	¥7,925
(Tokyo) *	¥59,111 million (2002)			Deposits paid for securities borrowed	¥ 940,213	¥44,320			
				Borrowing fee	¥ 4	¥			
				Interest received	¥ 3	¥			
				Securities Loaned	¥ 1,100	¥1,300	Cash collateral received for securities loaned		
				Deposits received for securities loaned	¥ 1,111	¥ 1,336			

The terms and conditions of the above transactions are on an arm's-length basis.

\* UFJ Capital Markets Securities Co., Ltd merged with Tsubasa Securities Co., Ltd with effective from June 1, 2002 and the name of the merged company is UFJ Tsubase Securities Co., Ltd..

#### Ratio analysis

	<u>As of March 31, 2003</u>	<u>As of March 31, 2002</u>
Net asset per share	¥261.20	¥318.88
Net (loss) per share	(¥ 57.75)	(¥36.04)

Net income per share after the effect of diluted securities is not presented since there are no diluted securities and operating result per share is net loss. The new accounting standard for net income per share is effective for accounting periods beginning April 1, 2002. Based on this new standard, the net asset per share and net loss per share of the prior fiscal year would be ¥318.86 and ¥36.04, respectively.

#### 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	30,969	27,777	1.3 %	
Current portion of long-term borrowings	18			
Long-term borrowing (except for current portion)				
Other liabilities with interest				
Borrowing on margin transactions	24,660	13,484	0.6 %	
Cash collateral received for securities lending	14,619	24,648		
Securities sold under repurchase agreements	6,464	13,794		
Total	76,732	79,705		

(Notes)

(1) 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, 2003)

#### (Directors)

President

Masao Okumura

Senior Managing Director

Kiyoshi Asakawa

Managing Directors

Fumio Haruna

Yoshihiro Shiraishi

Kimihiro Funahashi

Director

Takashi Matsunaga

#### (Statutory Auditors)

Osamu Yamasaki

Fumio Takahashi

Syuji Murase

Akira Nishigaki

Yukimasa Iwamoto

#### (Executive Officers)

Michihiro Doumae

Syunji Saratani

Kazue Kobayashi

Tadashi Kaneko

Hajime Watanabe

Takayoshi Matsuzawa

Yasuo Takamatsu

Kunihiro Hatae

Shinji Myoken

Masaaki Takeda

## Directory

### Head Office

7-1, Kyobashi 1-chome, Chuo-ku  
Tokyo 104-8317, Japan  
Tel: 03-3566-8811  
Fax: 03-3566-8717

### Nagoya Main Office

20-27, Nishiki 3-chome, Naka-ku  
Nagoya 460-8431, Japan  
Tel: 052-223-1111  
Fax: 052-223-2149

### Osaka Office

7-1, Dosyuchu 1-chome, Chuo-ku  
Osaka 541-0045, Japan  
Tel: 06-6231-9251  
Fax: 06-6231-9464

## Overseas Subsidiary

Tokai Tokyo Securities (Asia) Limited  
Suite 1704, One Exchange Square,  
8 Connaught Place, Central, Hong Kong

## Domestic Affiliates

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.  
Tokai Tokyo Investment Management Co., Ltd.

\* Tokai Tokyo Building Management Co., Ltd. merged  
into Tokai Tokyo Services Co., Ltd. on April 1, 2003.

## 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

Internet Home Page Address: <http://www.tokaitokyo.co.jp>