

Annual Report 2004

For the Fiscal Year Ended March 31, 2004



Tokai Tokyo Securities Co., Ltd.

PROFILE

Tokai Tokyo Securities Co., Ltd. and its subsidiaries provides a broad array of services for customers on a global scale in investment, financing, and asset management under the corporate motto “Securities businesses for one’s daily use!”

Through its network of 71 branches in key cities throughout Japan that focuses on the three metropolitan areas of Tokyo, Nagoya and Osaka, Tokai Tokyo Securities Co., Ltd. aims to become the top retail securities brokerage firm in Japan by meeting its customers’ diversified needs.

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Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2004	2003	2004
Revenues	¥ 47,025	¥ 28,052	\$ 444,933
Net income (loss)	11,696	(16,859)	110,663
Total assets	275,779	208,768	2,609,320
Shareholders' equity	81,786	74,880	773,829
Net income (loss) per share – adjusted (yen/U.S. dollars)	42.45	(57.75)	0.40

Note: U.S. dollar amounts are translated for convenience only at the rate of ¥105.69=U.S.\$1.00.

Message From The President

To be the top retail securities brokerage firm in Japan

Having executed a three-year medium-term business plan starting April 2001, Tokai Tokyo has formulated a new Medium-term Business Plan this April and is taking the first step towards its fulfillment.

Establishing a solid business foundations

In the last few years, the Japanese stock markets remained stagnant and business environment has been extremely hostile for the securities industry. In addition to this, given factors such as the government's promotion of reforms in the financial systems,

the environment surrounding the financial industry, especially the securities business, has changed dramatically.

In this environment, Tokai Tokyo has focused its operations on retail businesses. At the same time, it has made itself more cost-efficient through a concerted effort to achieve an even lower break-even point, while simultaneously enhancing its risk management system including the use of VAR method, compliance system and other types of infrastructure.

On the business side, to promote global asset allocation, we have expanded our sales product line-up to include Chinese shares and other foreign securities, and have also improved our information service function with a view to providing high-quality information to our clients.

Net income: ¥11,696 million (U.S.\$ 110,663 thousand → Dividend: ¥10 (U.S.\$ 0.1)

In the 92nd term (fiscal year ending on March 31, 2004) Tokai Tokyo showed consolidated total revenues of ¥47,025 million (U.S.\$ 444,933 thousand, up 67.6% from the previous year), and consolidated net income of ¥11,696 million (U.S.\$ 110,663 thousand). While these results are largely attributable to the good performance of the stock markets throughout the period, we also see them as evidence of the fact that the unremitting efforts we have made to reform our management structure in the last few years have begun to pay off.

In line with our dividend policy of attaching importance to distributing profits to our shareholders, dividend payment for the 92nd term was determined at ¥10 (U.S.\$ 0.1) per share.

Management in the attack mode Aggressive business management

Going forward Tokai Tokyo is to make the most of its business foundations that have been established in the past to shift its gear in businesses to the attack mode. Under the three-year Medium-term Business Plan starting April 2004, Tokai Tokyo is to seek to achieve a good management balance among sales, product-line, and financial results. The followings are the ten key-points that have been started in the Medium-term Business Plan for its fulfillment.

1. Establishment of dominant presence in the Tokai region (central part of Japan);
2. Concentration on face-to-face sales style focusing on retail clients and middle-sized corporations;
3. Promotion of operations-less branches with administrative functions handed over to headquarters;
4. Forming of an efficient network of branches;
5. Differentiation from competitors through client services;
6. Establishing a base for stable profit structure;
7. Pursuing of management with a lower breakeven point;
8. Enhancement of business ethics;
9. Strengthening of marketing power through introduction of information technologies into management; and
10. Establishing the brand name of Tokai Tokyo.

In addition to these points, we have set out three numerical targets under the Medium-term Business Plan: to secure net assets of ¥100 billion, to maintain a dividend level of at least ¥10 per share, and to secure ROE of 10%. Tokai Tokyo is

also aiming to obtain “single A” credit rating from well-known rating agency(s).

We are seriously committed to the fulfillment of this plan.

Tie-ups in business and capital

Tokai Tokyo has formed crucial business and capital tie-ups to pave the way for aggressive business management.

On April 30, 2004 Tokai Tokyo reached an agreement to form a business and capital tie-up with Mitsui Sumitomo Insurance Co., Ltd. (MSI)

Last November Tokai Tokyo repurchased approximately 25 million shares of its own shares from UFJ Bank Limited, which until then had been our largest shareholder. In addition to this, the Nikko Cordial Group also sold off Tokai Tokyo shares through the market during the same period.

In the interests of maintaining business stability, we were in need of a top class partner in place of these two companies that would hold our shares reliably over an extended period of time to form a partnership that would be mutually enhancing for both parties. We have succeeded in finding this brilliant partner, MSI.

This is the first business tie-up that has taken place in Japan between a securities firm and an insurance company. Both parties intend to make the most of each other's expertise in securities/insurance businesses to create a new business model that is to provide appealing products and services in total risk solution to our clients.

More specifically, we will collaborate in a securities agency business program and support services to small-to-middle-size firms, engage in activities such as the handling of MSI's savings-type products in the forms of both life and non-life non-life insurance. To meet this end, both parties will also actively promote personnel exchanges.

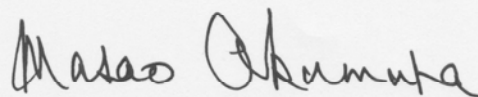
Tokai Tokyo Vision

Our corporate philosophy is to be a securities firm company that is familiar to and trusted by all customers, in other words, materializing our corporate motto: "Securities businesses for one's daily use!"

This is the expression of our conviction to make, through face-to-face contacts, as many people as possible feel at home with securities investment activities, and to be a presence that is essential to the customers' daily lives.

All our staff are resolved to continue pushing ahead with their business activities, with the aim of becoming the top retail securities brokerage firm in Japan, being sensitive to our clients' needs, and being capable of providing well-timed, high quality services.

I sincerely hope and cordially ask that you continue to give us your constant support and encouragement.

A handwritten signature in black ink, appearing to read "Masao Okumura". The signature is fluid and cursive, with the first name "Masao" and last name "Okumura" clearly distinguishable.

Masao Okumura

President & CEO

Management's Discussion and Analysis

Business Summary for the 92nd Term (April 1, 2003 to March 31, 2004)

During this term, the Japanese economy was supported by exports, especially to China and private capital investment, and hopes of economic expansion rose. In the corporate sector, optimism grew, with gains in sales and profits expected for the third straight term through to fiscal 2004, and, as the employment environment also took a turn for the better at the end of a bout of restructuring, consumer mentality also began to pick up. Another noteworthy development is that domestic prices have also started to show signs of ceasing to fall, against the backdrop of steep rises on domestic and foreign commodity markets.

On the secondary stock market, share prices showed an upward trend throughout the term, with net purchases by foreign investors hitting a record high amid heightened activity in anticipation of economic expansion, and with private investors' share of net proceeds reaching the highest level for 13 years. In April, the Nikkei Average hit a new post-bubble low of ¥7,607, but at the end of the term finished at ¥11,715, 47% higher than at the end of the previous term.

Meanwhile, on the secondary bond market, the yield on the benchmark 10-year Japanese government bond fell to an all-time low, but later concerns over delays in clearing bad debts were dispelled, and the yield on the benchmark 10-year JGB rose on expectation of expansion in the world economy led by China, making this a year of turbulent price fluctuation.

Given these conditions, in this consolidated accounting year Tokai Tokyo booked total revenues of ¥47,025 million (U.S. \$ 444,933 thousand, up 67.6% from the previous year). We also recorded net revenues of ¥46,192 million (U.S.\$ 437,052 thousand, up

70.0%), SGA expenses of ¥36,439 million (U.S.\$ 344,772 thousand, down 4.2%), operating income of ¥9,753 million (U.S.\$92,280 thousand) and net income of ¥11,696 million (U.S.\$ 110,663 thousand).

Consolidated Financial Statements

**Tokai Tokyo Securities Co., Ltd. and
Consolidated Subsidiaries**

Years ended March 31, 2004 and 2003

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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, 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. These 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 29, 2004

Consolidated Balance Sheets

As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31,		March 31,
	2004	2003	2004
ASSETS			
Cash on hand and in banks:			
Cash and time deposits (Notes 6 and 16)	¥ 32,376	¥ 25,669	\$ 306,330
Cash segregated as deposits related to securities transactions	21,475	23,528	203,188
	53,851	49,197	509,518
Collateralized short-term financing agreements:			
Deposits paid for securities borrowed (Note 6)	41,448	25,606	392,166
Securities purchased under resell agreement (Note 6)	—	9,996	—
	41,448	35,602	392,166
Trading assets (Notes 3 and 6)	63,422	44,928	600,076
Receivables:			
Receivables from brokers, dealers and clearing organization	2,388	4,288	22,594
Receivables from customers	593	1,613	5,611
Receivables related to margin transactions	77,172	36,900	730,173
Other	2,234	1,817	21,137
	82,387	44,618	779,515
Less: allowance for doubtful accounts	(187)	(197)	(1,769)
	82,200	44,421	777,746
Investment securities (Notes 4 and 6)	14,310	11,376	135,396
Other assets:			
Property and equipment (Notes 5 and 6)	17,991	18,811	170,224
Less: accumulated depreciation	(4,311)	(4,218)	(40,789)
	13,680	14,593	129,435
Lease deposits	3,829	4,830	36,229
Others	4,590	5,677	43,429
	22,099	25,100	209,093
Less: allowance for doubtful accounts	(1,551)	(1,856)	(14,675)
	20,548	23,244	194,418
Total assets	¥ 275,779	¥ 208,768	\$ 2,609,320

The accompanying notes are an integral part of these statements

Consolidated Balance Sheets

As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31,		March 31,
	2004	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term borrowings (Notes 6 and 7)	¥ 29,036	¥ 27,777	\$ 274,728
Trading liabilities (Note 3)	42,501	22,751	402,129
Collateralized short-term financing agreements:			
Deposits received for securities loaned (Note 6)	31,221	24,649	295,402
Securities sold to margin transactions (Note 6)	9,279	13,794	87,794
	40,500	38,443	383,196
Payables:			
Payables to brokers, dealers, and clearing organizations	1,823	33	17,249
Payables to customers	23,660	15,518	223,862
Payables related to margin transactions	41,534	19,028	392,979
Other	2,565	974	24,269
	69,582	35,553	658,359
Deferred income taxes (Note 9)	1,732	334	16,388
Accrued and other liabilities:			
Income taxes payable	117	77	1,107
Retirement benefits (Note 8)	4,582	4,633	43,353
Employees' bonuses	2,051	878	19,406
Other	3,000	2,634	28,385
	9,750	8,222	92,251
Statutory reserves (Note 10)	728	517	6,888
Minority interests	164	291	1,552
Commitments and contingent liabilities (Note 11)			
Shareholders' equity			
Common stock:			
Authorized : 972,730 and 982,730 thousand shares as of March 31, 2004 and 2003, respectively			
Issued : 285,582,115 and 295,582,115 shares as of March 31, 2004 and 2003 respectively	36,000	36,000	340,619
Additional paid - in capital	35,578	37,834	336,626
Retained earnings	13,663	1,967	129,274
Revaluation reserve	3,567	448	33,749
Foreign currency translation adjustment	(206)	(120)	(1,949)
Less: treasury shares, at cost, 29,337,427 and 8,902,533 shares as of March 31, 2004 and 2003, respectively	(6,816)	(1,249)	(64,490)
Total shareholders' equity	81,786	74,880	773,829
Total liabilities and shareholders' equity	¥ 275,779	¥ 208,768	\$ 2,609,320

The accompanying notes are an integral part of these statements

Consolidated Statements of Income

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31,		March 31,
	2004	2003	2004
Revenues:			
Commissions (Note 12)	¥ 30,797	¥ 20,356	\$ 291,390
Net gain on trading	15,002	6,523	141,943
Interest and dividend income	1,226	1,173	11,600
Total revenues	47,025	28,052	444,933
Interest expenses	833	881	7,881
Net revenues	46,192	27,171	437,052
Selling, general and administrative expenses (Note 13)	36,439	38,054	344,772
Operating income (loss)	9,753	(10,883)	92,280
Other, net (Note 14):	2,065	(5,946)	19,538
Income (loss) before income taxes and minority interests	11,818	(16,829)	111,818
Income taxes (Note 9):			
Current	119	59	1,126
Deferred	(8)	(9)	(75)
	111	50	1,051
Minority interests	11	(20)	104
Net income (loss)	¥ 11,696	¥ (16,859)	\$ 110,663
Earnings per share:			
Net income (loss)		Yen	U.S.dollars
Basic	¥ 42.45	¥ (57.75)	\$ 0.40
Diluted	¥ 42.33	¥ —	\$ 0.40

The accompanying notes are an integral part of these statements

Consolidated Statements of Shareholders' Equity

March 31, 2004 and 2003

	Thousands		Millions of yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Foreign currency translation adjustment	Treasury shares	
Balance as of March 31, 2002	295,582	¥ 36,000	¥ 37,834	¥ 19,705	¥ 418	¥ (39)	¥ (451)	
Net loss for the year	—	—	—	(16,859)	—	—	—	
Cash dividends	—	—	—	(879)	—	—	—	
Change in revaluation reserve	—	—	—	—	30	—	—	
Change in translation adjustment	—	—	—	—	—	(81)	—	
Change in treasury shares	—	—	—	—	—	—	(798)	
Balance as of March 31, 2003	295,582	¥ 36,000	¥ 37,834	¥ 1,967	¥ 448	¥ (120)	¥ (1,249)	
Net income for the year	—	—	—	11,696	—	—	—	
Retirement of treasury shares	(10,000)	—	(2,349)	—	—	—	—	
Gain on disposal of treasury shares	—	—	93	—	—	—	—	
Change in revaluation reserve	—	—	—	—	3,119	—	—	
Change in translation adjustment	—	—	—	—	—	(86)	—	
Change in treasury shares	—	—	—	—	—	—	(5,567)	
Balance as of March 31, 2004	285,582	¥ 36,000	¥ 35,578	¥ 13,663	¥ 3,567	¥ (206)	¥ (6,816)	

Thousands of U.S. Dollars (Note 1)

Balance as of March 31, 2003	\$ 340,619	\$ 357,971	\$ 18,611	\$ 4,238	\$ (1,135)	\$ (11,817)
Net income for the year	—	—	110,663	—	—	—
Retirement of treasury shares	—	(22,225)	—	—	—	—
Gain on disposal of treasury shares	—	880	—	—	—	—
Change in revaluation reserve	—	—	—	29,511	—	—
Change in translation adjustment	—	—	—	—	(814)	—
Change in treasury shares	—	—	—	—	—	(52,673)
Balance as of March 31, 2004	\$ 340,619	\$ 336,626	\$ 129,274	\$ 33,749	\$ (1,949)	\$ (64,490)

The accompanying notes are an integral part of these statements

Consolidated Statements of Cash Flows

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 11,818	¥ (16,829)	\$ 111,818
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities			
Depreciation and amortization	1,320	1,722	12,489
Provision for doubtful accounts	96	(42)	908
Provision for retirement benefits	(51)	(214)	(483)
Employees' bonuses	1,174	(514)	11,108
Provision for (reversal of) statutory reserves	210	(121)	1,987
Gain on sale of investment securities, net	(2,596)	(95)	(24,562)
Losses related to fixed assets	546	1,057	5,166
Gain on the sale of fixed assets	(73)	—	(691)
Loss on devaluation of investment securities	45	2,906	426
Interest and dividend income	(1,339)	(1,310)	(12,669)
Interest expenses	805	881	7,617
(Increase) decrease in receivables	(37,779)	17,102	(357,451)
Increase (decrease) in payables	34,029	(17,253)	321,970
Decrease (increase) in trading assets and liabilities, net	1,257	(3,890)	11,893
(Increase) decrease in collateralized short-term financing agreements, net	(3,789)	2,008	(35,850)
Other, net	2,240	(3,909)	21,194
Subtotal	7,913	(18,501)	74,870
Interest and dividend received	1,335	1,330	12,631
Interest paid	(770)	(968)	(7,285)
Income tax paid	(80)	(58)	(757)
Net cash provided by (used in) operating activities	8,398	(18,197)	79,459
Cash flows from investing activities:			
Purchase of property and equipment	(1,078)	(213)	(10,200)
Proceeds from sale of property and equipment	732	1,019	6,926
Purchase of investment securities	(323)	(108)	(3,056)
Proceeds from sale of investment securities	4,459	360	42,189
Other, net	1,190	878	11,260
Net cash provided by investing activities	4,980	1,936	47,119
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	1,258	(3,210)	11,903
Purchase of common stocks	(8,085)	(801)	(76,497)
Proceeds from sale of common stocks	262	—	2,479
Cash dividends paid	—	(879)	—
Other, net	57	44	539
Net cash used in financing activities	(6,508)	(4,846)	(61,576)
Effect of exchange rate changes on cash and cash equivalents	(72)	(96)	(682)
Net increase (decrease) in cash and cash equivalents	6,798	(21,203)	64,320
Cash and cash equivalents at the beginning of year	24,968	46,171	236,238
Cash and cash equivalents at the end of year (Note 16)	¥ 31,766	¥ 24,968	\$ 300,558

The accompanying notes are an integral part of these statements

Notes to Consolidated Financial Statements

1. Basis of presentation

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 provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the consolidated financial statements, certain reclassification and rearrangements have been made to the financial statements issued in Japan in order to present these statements in a form which is more familiar to readers of these statements outside Japan. Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have reclassified and/or recapitulated for the convenience of readers outside Japan. The consolidated financial statements are not intended to present the consolidated financial position, results of operation and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The translation of yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to US\$1. The translation should not be construed as a representation that the yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain amounts in the 2003 financial statements and notes have been reclassified to conform with the 2004 presentation.

2. Summary of significant accounting policies

Principles 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 relationship 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 name of the consolidated subsidiaries as of March 31, 2004 are as follows:

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

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-end are March 31.

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.

Affiliates are, in general, companies other than subsidiaries, in which the Company 1) holds, directly and/or indirectly, 20% or more of the voting shares; 2) holds, directly and/or indirectly, 15% or more of the voting shares and also is able to influence decision making through personnel, finance and other relationships; or 3) holds more than 20% 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 relationship and, at the same time, is able to influence the decision making body, unless evidence exists which shows that the Company does not have such influence. 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.

Financial Instruments

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) over-the counter ("OTC") derivatives such as foreign exchange forwards and OTC bond options. 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.

Other securities are held for non-trading purposes and classified as investment securities. Other securities that have a market quotation are held at the market price prevailing at the end of the fiscal year. Difference 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" in "Shareholders' equity" on the consolidated balance sheets. Other securities without a market quotation are valued at cost as determined by the moving average or are valued at amortized cost. Where other securities has declined significantly and such impairment of value is deemed not temporary, such securities are written down to their fair value and the resulting losses are charged to net profit or loss for the period.

Property and equipment

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.

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.

Allowance for doubtful accounts

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.

Employees' bonuses

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.

Retirement benefits

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.

Reserve for directors' retirement benefits 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.

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 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".

Accounting for leases

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

Income taxes

Deferred taxes are provided for temporary differences between the tax and accounting basis of assets and liabilities in the financial statements.

Earning per share

Earnings per share is based on the average number of common stock outstanding during the period. The average number of shares used in the computation excluded the number of treasury shares.

Appropriation of retained earnings

Under the Commercial Code of Japan 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.

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.

Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. The Company had not adopted the standard as of March 31, 2004, and impairment losses for the year ended March 31, 2004 were not estimated.

3.Trading assets and trading liabilities

Trading assets and trading liabilities are recorded at fair value with unrealized gains and losses recognized currently as "Gain on trading, net" in the consolidated statements of income. Sales of securities that the Company does not currently own, and will therefore be obligated to purchase at future dates ("short sales"), are included in trading liabilities. Purchases and sales of trading instruments are recognized on their respective trade dates. Unrealized gains and losses arising from the Company's dealings in OTC financial instruments are presented in the accompanying consolidated balance sheets on a gross basis. The Company enters into when-issued and delayed delivery transactions. Unrealized gains and losses from these forward transactions are recorded in the derivative contracts.

The fair values of the trading positions generally are based on listed market prices. If listed market prices are not available, fair value is determined based on other relevant factors, including dealer prices quotations and price quotations for similar instruments or from pricing models. Valuation pricing models consider current market and contractual prices for the underlying financial instruments as well as time value, yield curve, volatility factors, market liquidity and other statistical adjustments relevant to the instrument of similar instruments.

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Trading assets:			
Equity and warrants	¥ 15,190	¥ 4,072	\$ 143,722
Bonds	47,829	38,552	452,540
Commercial papers and certificate of deposits	—	1,999	—
Beneficiary certificates of investment trust	230	244	2,176
Derivatives	173	61	1,638
	¥ 63,422	¥ 44,928	\$ 600,076
Trading liabilities:			
Equity and warrants	¥ 8,544	¥ 3,562	\$ 80,840
Bonds	33,811	19,171	319,907
Derivatives	146	18	1,382
	¥ 42,501	¥ 22,751	\$ 402,129

Notional amounts and market value of derivatives as of March 31, 2004 and 2003 were

	Millions of yen							
	March 31, 2004				March 31, 2003			
	Assets		Liabilities		Assets		Liabilities	
	Notional amount	Market value	Notional amount	Market value	Notional amount	Market value	Notional amount	Market value
Options	¥ 17,050	¥ 130	¥ 19,070	¥ 114	¥ 10,993	¥ 29	¥ 2,096	¥ 14
Foreign exchange forwards	1,510	7	—	—	2,220	4	—	—
Futures and forwards	9,094	36	804	32	1,813	28	3,572	4

	Thousands of U.S. dollars			
	March 31, 2004			
	Assets		Liabilities	
	Notional amount	Market value	Notional amount	Market value
Options	\$ 161,321	\$ 1,230	\$ 180,433	\$ 1,079
Foreign exchange forwards	14,287	67	—	—
Futures and forwards	86,044	341	7,607	303

4. Investment securities

Investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of yen					
	March 31, 2004			March 31, 2003		
	Acquisition cost	Balance sheets	Difference	Acquisition cost	Balance sheets	Difference
Securities with market value that exceed acquisition cost:	¥ 5,403	¥ 10,796	¥ 5,393	¥ 3,066	¥ 4,202	¥ 1,136
Stocks	5,403	10,796	5,393	2,924	4,055	1,131
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	—	—	—	142	147	5
Securities with market value that do not exceed acquisition cost:	1,234	1,096	(138)	4,959	4,559	(400)
Stocks	940	842	(98)	4,807	4,435	(372)
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	294	254	(40)	152	124	(28)
	¥ 6,637	¥ 11,892	¥ 5,255	¥ 8,025	¥ 8,761	¥ 736
Without market value:						
Stocks (non-listed)		¥ 2,418			¥ 2,615	
Bonds (non-listed)		—			—	
Others		—			—	
		¥ 2,418			¥ 2,615	
Total		¥ 14,310			¥ 11,376	

	Thousands of U.S. dollars		
	March 31, 2004		
	Acquisition cost	Balance sheets	Difference
Securities with market value that exceed acquisition cost:	\$ 51,121	\$ 102,148	\$ 51,027
Stocks	51,121	102,148	51,027
Bonds	—	—	—
Governmental/local bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Securities with market value that do not exceed acquisition cost:	11,676	10,370	(1,306)
Stocks	8,894	7,967	(927)
Bonds	—	—	—
Governmental/local bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	2,782	2,403	(379)
	\$ 62,797	\$ 112,518	\$ 49,721
Without market value:			
Stocks (non-listed)		\$ 22,878	
Bonds (non-listed)		—	
Others		—	
		\$ 22,878	
Total		\$ 135,396	

5. 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

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Acquisition cost	¥ 2,254	¥ 2,753	\$ 21,327
Accumulated depreciation	1,481	1,625	14,013
Net book value at year end	¥ 773	¥ 1,128	\$ 7,314

2.Future Lease payments

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Due in one year or less	¥ 433	¥ 492	\$ 4,097
Due after one year	407	724	3,851
Total	¥ 840	¥ 1,216	\$ 7,948

3.Lease expenses, depreciation and interest expenses

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Lease payment	¥ 555	¥ 674	\$ 5,251
Depreciation	476	562	4,504
Interest expense	56	89	530

4.Calculation method for depreciation

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

6. Assets pledged as collateral

With respect to the Company, assets pledged as collateral for borrowings as of March 31, 2004 and 2003 were summarized as follows:

	Millions of yen							
	Obligations		Pledged Assets					
2004	secured by		Cash in	Property and	Trading	Investment		Total
	pledged assets		banks	equipment	assets	securities		
Short-term borrowings	¥ 12,701	¥	50	¥ 300	¥ 8,052	¥ 10,768	¥	19,170
Borrowing for margin transaction	38,479		0	—	654	—		654
Cash collateral received for securities lending	31,221		—	—	22,805	—		22,805
Securities sold under repurchase agreements	9,279		—	—	9,299	—		9,299
	¥ 91,680	¥	50	¥ 300	¥ 40,810	¥ 10,768	¥	51,928

Millions of yen								
	Obligations secured by pledged assets	Pledged Assets						
		Cash in banks	Property and equipment	Trading assets	Investment securities	Total		
2003								
Short-term borrowings	¥ 9,702	¥ 50	¥ 306	¥ 1,128	¥ 8,069	¥	9,553	
Borrowing for margin transaction	13,485	—	—	690	—		690	
Cash collateral received for securities lending	24,649	—	—	22,885	—		22,885	
Securities sold under repurchase agreements	13,794	—	—	3,798	—		3,798	
	¥ 61,630	¥ 50	¥ 306	¥ 28,501	¥ 8,069	¥	36,926	

Thousands of U.S. dollars						
	Obligations secured by pledged assets	Pledged Assets				
2004		Cash in banks	Property and equipment	Trading assets	Investment securities	Total
Short-term borrowings	\$ 120,172	\$ 473	\$ 2,838	\$ 76,185	\$ 101,883	\$ 181,379
Borrowing for margin transaction	364,074	0	—	6,188	—	6,188
Cash collateral received for securities lending	295,402	—	—	215,773	—	215,773
Securities sold under repurchase agreements	87,794	—	—	87,984	—	87,984
	\$ 867,442	\$ 473	\$ 2,838	\$ 386,130	\$ 101,883	\$ 491,324

In addition to the above, as of March 31, 2004, ¥10,323 million of stocks received as collateral from customers under self-financing margin transactions for which the Company has not utilized securities finance companies and ¥8,282 million of stocks received as collateral from customers for securities borrowed are pledged as collateral. In addition, ¥300 million of cash in banks, ¥541 million of trading securities and ¥1,501 million of stocks received from self-financing on margin transactions are pledged as initial margin for futures transactions.

As of March 31, 2003, ¥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. In addition, ¥520 million of cash in 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, 2004 and 2003 were as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Pledged Securities:			
Securities loaned to customers for margin transactions	¥ 3,573	¥ 5,881	\$ 33,806
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transaction	38,956	12,515	368,587
Securities loaned for collateralized short-term financing agreements	31,087	24,623	294,134
Securities pledged related to securities sold under repurchase agreements	9,299	13,796	87,984
Securities pledged as collateral for short-term guarantee	25,480	9,685	241,082
Securities pledged as collateral for long-term guarantee	151	126	1,429
Received Securities:			
Securities received from customers for loans under margin transactions	¥ 70,494	¥ 24,584	\$ 666,988
Securities borrowed from finance companies or securities exchange brokers for margin transactions	9,462	7,425	89,526
Short-term securities borrowed	41,164	25,632	389,479
Securities received related to securities purchased under resell agreements	—	9,998	—
Securities received as collateral for short-term guarantee	71,900	41,881	680,291
Securities received as collateral for long-term guarantee	203	135	1,921
Others	761	675	7,200

7. Short-term borrowings

Short-term borrowings as of March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of
	2004	2003	dollars
Borrowings from financial institutions	¥ 26,256	¥ 24,997	\$ 248,425
Borrowings from securities finance companies	2,430	2,430	22,992
Borrowings from others	350	350	3,311
Total	¥ 29,036	¥ 27,777	\$ 274,728

8. Retirement benefits

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

In addition, Directors' retirement benefits of ¥309 million and ¥456 million were included in "Retirement benefits" on the consolidated balance sheets as of March 31, 2004 and 2003, respectively.

The following table sets forth the changes in benefits obligation, plan assets and funded status of the Company as of March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefits obligations	¥ (8,885)	¥ (8,531)	\$ (84,067)
Plan assets	2,893	2,357	27,373
Unfunded retirement benefit obligation	(5,992)	(6,174)	(56,694)
Unrecognized net actuarial differences	1,719	1,997	16,265
Net amounts reported in the consolidated balance sheets	¥ (4,273)	¥ (4,177)	\$ (40,429)

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 based on a proportion of contribution amounted to ¥25,636 million and ¥21,987 million as of March 31, 2004 and 2003, respectively.

The components of retirement benefit expenses for the years ended March 31, 2004 and 2003 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 1,702	¥ 2,357	\$ 16,104
Interest cost	158	191	1,495
Expected return on plan assets	(47)	(85)	(445)
Amortization of actuarial differences	224	192	2,119
Net pension expense	¥ 2,037	¥ 2,655	\$ 19,273

Service cost includes contribution to the Securities Companies' Welfare Pension Fund amounting to ¥1,052 million and ¥1,515 million for the years ended March 31, 2004 and 2003, respectively.

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2004 and 2003 were as follows:

	2004	2003
Discount rates	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%

9. Income taxes

Deferred income taxes reflect the net tax effects of difference between the financial reporting and tax bases of assets and liabilities and tax loss carry forwards. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

The significant components of deferred tax assets and liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	
Deferred tax assets:				
Retirement benefits	¥ 1,675	1,626	\$ 15,848	
Allowance for doubtful accounts	619	784	5,857	
Loss on devaluation of investment securities	642	1,487	6,074	
Reserve for securities transaction	288	205	2,725	
Directors' retirement benefits	121	178	1,145	
Other	1,593	1,003	15,073	
Sub total	4,938	5,283	46,722	
Tax loss carried forward	7,684	11,998	72,703	
Deferred tax assets	12,622	17,281	119,425	
Valuation allowance	(12,622)	(17,281)	(119,425)	
Net deferred tax assets	—	—	—	
Deferred tax liabilities				
Valuation reserve on investment securities	¥ 1,724	¥ 317	\$ 16,312	
Other	8	17	76	
Deferred tax liabilities	¥ 1,732	¥ 334	\$ 16,388	

A reconciliation between the effective income tax rate reflected in the accompanying consolidated statements of income and the effective statutory tax rate for the year ended March 31, 2004 was as follows:

	2004
Effective statutory tax rate	41.83%
Increase (decrease) due to:	
Permanent non-deductible items	0.28
Utilization of tax loss carried forward	(38.35)
Resident tax per capita levy	0.68
Other, net	(3.50)
Effective income tax rate	0.94%

The reconciliation for the year ended March 31, 2003 was not presented because the net loss is reported in the consolidated statements of income.

The rate change of enterprise taxes was announced on March 31, 2003 and this had impact on temporary differences to be realized after April 1, 2004. Consequently, the effective statutory income tax rate used for the calculation of deferred tax assets and liabilities decreased from 41.83% for the year ended March 31, 2002 to 39.55% for the year ended March 31, 2003.

10. Statutory Reserves

Statutory reserves in the accompanying consolidated balance sheets consisted of a reserve for securities transaction required by the 51 of the Securities and Exchange law. The amounts of the reserves to be maintained are determined by the formula stipulated in those laws.

11. Commitments and contingent liabilities

At March 31, 2004 and 2003, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	
Guarantees for employees' borrowings from financial institution	¥ 122	¥ 161	\$ 1.154	

Guarantees for employees' borrowings from
financial institution

¥ 122 ¥ 161 \$ 1,154

12.Commissions

Commissions earned for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of
	2004	2003	U.S.dollars
			2004
Brokerage	¥ 22,176	¥ 13,081	\$ 209,821
Underwriting and distribution	5,357	4,364	50,686
Other	3,264	2,911	30,883
Total	¥ 30,797	¥ 20,356	\$ 291,390

13.Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of
	2004	2003	U.S.dollars
			2004
Employees' compensation and benefits	¥ 20,933	¥ 21,105	\$ 198,060
Brokerage and other commissions	1,614	1,152	15,271
Communication and transportation	2,482	2,584	23,484
Real estate expenses	5,556	6,340	52,569
Data processing and office supplies	2,863	3,029	27,089
Taxes other than income taxes	253	303	2,394
Depreciation	634	656	5,999
Amortization	686	1,066	6,491
Other	1,418	1,819	13,415
Total	¥ 36,439	¥ 38,054	\$ 344,772

14.Other, net

The components of "Other, net" in the consolidated statements of income for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
			2004
Net gain (loss) on investments securities	¥ 2,552	¥ (2,810)	\$ 24,146
System alteration costs	(548)	(570)	(5,185)
Special benefit for earlier retirement	—	(2,248)	—
Net loss from sale of fixed assets	(384)	(835)	(3,633)
Loss on disposal of fixed assets	(89)	(222)	(842)
Depreciation for the past fiscal year	—	(350)	—
Other	534	1,089	5,052
Total	¥ 2,065	¥ (5,946)	\$ 19,538

15. 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 March 31, 2004 and 2003 were as follows:

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the related company	Description of the transaction	Transactions		Resulting accounting balance at March 31, 2004		
					For the year ended March 31, 2004				
					Millions of yen	Thousands of U.S. dollars	Account	Millions of yen	Thousands of U.S. dollars
UFJ Bank (Nagoya)	¥843,582 million	Banking Business	Directory	Interest expense	¥74	\$700	Short-term borrowing	¥7,000	\$66,231
				Commitment line contract	¥38	\$360			

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

UFJ Bank Limited which is parent of UFJ Tsubasa Securities Co., Ltd. was excluded from the scope of related parties on November 14, 2003. Therefore the transaction amounts on the above schedule were those until that date, and the ending balances and equity ownership percentage on the above schedule were those as of that date.

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the related company	Description of the transaction	Transactions		Resulting accounting balance at March 31, 2004		
					For the year ended March 31, 2004				
					Millions of yen	Thousands of U.S. dollars	Account	Millions of yen	Thousands of U.S. dollars
UFJ Tsubasa Securities (Tokyo)	¥25,107 million	Securities Business	—%	Securities borrowed	¥588,590	\$5,569,023	Cash collateral pledged for securities borrowed	¥2,773	\$26,237
				Deposits paid for securities borrowed	¥607,728	\$5,750,099			
				borrowing fee	¥3	\$28			
				Interest received	¥2	\$19			
				Securities loaned	¥1,630	\$15,422	Cash collateral received for securities loaned	—	—
				Deposits	¥1,518	\$14,363			
				received for securities loaned					

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

UFJ Bank Limited which is parent of UFJ Tsubasa Securities Co., Ltd. was excluded from the scope of related parties on November 14, 2003. Therefore the transaction amounts on the above schedule were those until that date, and the ending balances and equity ownership percentage on the above schedule were those as of that date.

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the related company	Transactions		Resulting accounting	
				Description of the transaction	For the year ended March 31, 2003	balance at March 31, 2003	
					Millions of yen	Account	Millions of yen
UFJ Bank (Nagoya)	¥843,582 million	Banking Business	Directory 12.50%	Interest expense	¥98	Short-term borrowing	¥9,100
				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	Transactions		Resulting accounting	
				Description of the transaction	For the year ended March 31, 2003	balance at March 31, 2003	
					Millions of yen	Account	Millions of yen
UFJ Tsubasa Securities (Tokyo)	¥25,107 million	Securities Business	—%	Securities borrowed	¥894,875	Cash collateral pledged for securities borrowed	¥5,617
				Deposits paid for securities borrowed	¥940,213		
				borrowing fee	¥4		
				Interest received	¥3		
				Securities loaned	¥1,100	Cash collateral received for securities loaned	—
				Deposits received for securities loaned	¥1,111		

16.Cash and cash equivalents

A reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets as of March 31, 2004 and 2003 is presented as follows:

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2004	2003	March 31, 2004
Cash and time deposits	¥ 32,376	¥ 25,669	\$ 306,330
Time deposits with maturity of over 3 months	(610)	(701)	(5,772)
Cash and cash equivalents	¥ 31,766	¥ 24,968	\$ 300,558

In February 2003, the Company purchased shares of Tokai Tokyo Asset Management Co., Ltd., which was 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.

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:

	Millions of yen
Current assets	¥ 334
Non-current assets	365
Current liabilities	(10)
Non-current liabilities	(12)
Negative goodwill	(283)
Minority interests	(162)
<u>Value of investment securities based on the equity method</u>	(92)
Acquisition cost of the new consolidated subsidiary	140
<u>Cash and cash equivalents from the new consolidated subsidiary</u>	(327)
Net increase of cash and cash equivalents from the new consolidated subsidiary	¥ 187

17.Subsequent events

On April 30, 2004, the Company's Board of Directors authorized the transfer of 23,700 thousand shares of the Company's common stock in treasury to Mitsui Sumitomo Insurance Co., Ltd. for the purpose of strengthening the relationship in their business alliance. Mitsui Sumitomo Insurance Co., Ltd. paid considerations of ¥7,702 million to acquire them on May 19, 2004.

Cash dividends of ¥2,562 million (¥10 per share) were approved by the shareholders' meeting held on June 29, 2004 as the appropriation of retained earning for the year ended March 31, 2004.

Company Information

Board of Directors and Statutory Auditors

(as of June 29, 2004)

(Directors)

President

Masao Okumura

Vice - Presidents

Kiyoshi Asakawa

Tateaki Ishida

Senior Managing Director

Fumio Haruna

Managing Director

Kimihiko Funahashi

Directors

Takashi Matsunaga

Yasuo Takamatsu

Masaaki Takeda

(Statutory Auditors)

Fumio Takahashi

Syuji Murase

Akira Nishigaki

Yukimasa Iwamoto

(Executive Officers)

Kazue Kobayashi

Tadashi Kaneko

Hajime Watanabe

Takayoshi Matsuzawa

Kunihiro Hatae

Shinji Myouken

Syouyuu Mizuno

Yoshikazu Yamaguchi

Minoru Yoshida

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Domestic Affiliates

Tokai Tokyo Research Center Co., Ltd.
Utsunomiya Securities Co., Ltd.
Tokai Tokyo Services Co., Ltd.
Tokai Tokyo Investment Management Co., Ltd.

Major Shareholders

Mitsui Sumitomo Insurance Co., Ltd.
The UFJ Bank, Ltd.
Japan Securities Finance Co., Ltd.
The Master Trust Bank of Japan, Ltd.
Meiji Yasuda Life Insurance Company
The Sumitomo Life Insurance Company

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