

# Annual Report 2005

For the Fiscal Year Ended March 31, 2005



**Tokai Tokyo Securities Co., Ltd.**

## ***PROFILE***

Tokai Tokyo Securities Co., Ltd. and its subsidiaries / affiliates provide a broad array of services for customers on a global scale in investment, financing, and asset management to meet the ultimate goal, “the Road to the Premium House”.

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
	March 31,		U.S. dollars
	2005	2004	March 31, 2005
Revenues	¥ 40,951	¥ 47,025	\$ 381,330
Net income	6,001	11,696	55,880
Total assets	443,591	275,779	4,130,655
Shareholders' equity	91,879	81,786	855,564
Net income per share – adjusted (yen/U.S. dollars)	21.33	4.29	0.20

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

## Message From The President

### *Aiming to Become a “Strong and Stalwart Corporation”*

I hope that you all are in good health and enjoying prosperity.

Our Company began to implement a medium-term business plan in April 2004.

I would like to explain our policies and course of action in order to further promote the plan.

#### **Future Shapes Pursued by the Company**

First of all, we aim to become “a strong and stalwart corporation,” by reinforcing our financial and organizational power.

As for financial power, the Company is seeking to achieve three numerical targets: ROE of at least 10% (6.5% as of the end of March 2005), equity capital of ¥100 billion; and continuous disbursement of a ¥10 per-share dividend.

The Company will strive to further enhance organizational power, from the perspectives of corporate governance or culture. We will pursue a management style focused on communication and transparency, which is our concept of “a strong and stalwart corporation.”

Second, we will make the Company into “an exciting corporation.” We will provide

information and submit proposals that will make our clients feel excited every day. We will not provide perfunctory information or products, but services a notch above peers so that clients will want to carefully listen to us. To this end, employees themselves need to feel excited, and it is important that they pursue their studies and self-enlightenment as well as produce an atmosphere in which their colleagues will also share the excitement.

Third, we will establish “a company that continues to learn.” At a time when the environment of the financial industry, including securities firms, is becoming extremely severe, what is the future course of the securities sector? When thinking of this, I believe that it is crucial for us to become financial professionals who have a high level of knowledge and expertise, and hence, we need to maintain our proactive stance toward continuing to study and learn. To help achieve this, we will build an education system under which every employee will be able to become an iron man or expert in the financial field.

The above three are the future shapes pursued by the Company.

#### **Development of Corporate Culture**

Corporate culture is an important factor in forecasting a company's future direction. Based on the corporate culture that we have cultivated, we will pursue the following five corporate cultures from now on.

“Culture of communication”: To abandon sectionalism and thoroughly discuss with one another.

“Culture of action”: Not culture of contraction, but culture of aggressiveness that emphasizes speedy challenges.

“Culture of efficiency”: Culture in which employees are not passive but carry out efficient operations.

“Culture of actuality”: Culture in which business is run with emphasis on specific justification, not on empty, impractical theories.

“Culture of systematic thinking”: Culture in which employees carry out operations based on systematic thinking, not a mere casual idea or inspiration

#### **Further Fortification of Strong Sectors, and More Focus on Growth**

The medium-term business plan covers a wide range of sectors, but our managerial points are to further fortify the strong sectors and concentrate more efforts on the growth sector.

The Company's edge over peers is, first of all, the presence and solid marketing base

in the Tokai region (central part of Japan). We also have a cost structure based on management with a lower break-even point, as well as sales staff who have a high level of awareness about high-risk products and capability to explain such products, of which I am proud.

To further strengthen these edges, the Company will do its utmost to establish an efficient network of branches in the retail sector, our core business area.

The Company has already opened Takamatsu Branch, a mini outlet. Hereafter, we will expand such outlets centering on the Tokai region, while improving the efficiency of branch operations through elimination of back-office work and realization of a cashless system, and redistributing management resources such as marketing power.

Given that needs are high for the arrangement of development-type real estate securities, the Company's characteristic business, we will actively develop such niche products.

Potential fields include corporate solutions to private banking, trading, M&A, and capital policies. The Company will also put its efforts and resources into insurance products and foreign stocks, for which we have steadily established a track record, aiming to make them the major pillar of earnings.

The Company will concentrate management resources on these fields to achieve managerial targets.

I sincerely expect your continued support and encouragement.

Tateaki Ishida

President

A handwritten signature in blue ink, consisting of a circular mark on the left and a long, wavy horizontal line extending to the right.

## *Management's Discussion and Analysis*

Business Summary for the Fiscal Year Ended March 31, 2005

The Japanese economy showed a recovery trend in the first half of this consolidated fiscal year, because of growing corporate capital spending and solid consumer spending owing to an improved employment situation. From early autumn, however, the economy came to a standstill due to inventory adjustment of products related to IT (information technology), unseasonable weather, the impact of the Niigata Chuetsu earthquake, and a slowdown in the world economy caused by soaring prices in the international commodity markets, such as crude oil prices. Toward the end of the fiscal year there was a growing expectation that the economy was emerging from this standstill, with signs of recovery in corporate production activities, as shown by the Bank of Japan which upwardly revised its economic outlook in March for the first time in nine months.

Under these circumstances, driven by the active stance of individual investors, mainly in online trading, the daily average trading volume in the First Section of the Tokyo Stock Exchange in the equity markets marked 1,524 million shares (109.8% compared to the previous year), and its daily average trading value recorded a 16-year high since 1988 of ¥1,328.7 billion (116.0% compared to the previous year), both of which were the highest results on record. However, stock prices then became sluggish as concerns emerged about the domestic and overseas economic outlooks, including concerns about higher interest rates both in the U.S. and China, rising crude oil prices and a strong yen. During the year, the Nikkei Stock Average reached a high of ¥12,163 and a low of ¥10,505, and this fluctuation range of ¥1,658 was the smallest in 22 years. In early March, following an upturn in world stock markets, as exemplified by the Dow Jones industrial average reaching its highest level since last year, the Nikkei Stock Average approached the ¥12,000 range, but eventually closed at ¥11,668 at the end of the year, down ¥46 from the end of the previous year.

On the other hand, the bond markets experienced volatility arising from changes in business sentiment during the year. With a growing expectation of an economic recovery, yields on ten-year government bonds rose to 1.94% in June, the highest level in about four years. However, the fact that all the economic indicators released since August were below expectations increased concerns about an

economic slowdown, and with the bond prices edging up due to continuous long-term buying mainly by foreign investors, the yields on ten-year government bonds fell to 1.265% in February. Later, as stock prices picked up and uneasiness about the financial system disappeared, the markets entered an adjustment phase, with yields on ten-year government bonds closing at 1.32% at the end of the current year, a little below the level of the previous year-end.

In this environment, on a consolidated basis we successfully recorded an total revenues of ¥40,951 million (U.S. \$ 381,330 thousand, 87.1% compared to the previous year), net revenues of ¥40,022 million (U.S. \$ 372,679 thousand, 86.6% compared to the previous year), selling general and administrative expenses of ¥34,634 million (U.S. \$ 322,507 thousand, 95.0% compared to the previous year), operating income of ¥5,388 million (U.S. \$ 50,172 thousand, 55.2% compared to the previous year), and net income of ¥6,001 million (U.S. \$ 55,880 thousand, 51.3% compared to the previous year).

# **Consolidated Financial Statements**

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

**Years ended March 31, 2005 and 2004  
with Report of Independent Auditors**



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, 2005 and 2004, 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. 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, 2005 and 2004, 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.

As disclosed in Note 17, at the Board of Directors meeting on June 27, 2005, a resolution was passed for Tokai Tokyo Securities Co., Ltd to establish an employee retirement benefit trust and to contribute its investment securities to the trust.

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, 2005

## Consolidated Balance Sheets

As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31,		March 31,
	2005	2004	2005
<b>ASSETS</b>			
Cash on hand and in banks			
Cash and time deposits (Notes 6 and 16)	¥ 27,285	¥ 32,376	\$ 254,074
Cash segregated as deposits related to securities transactions	22,894	21,475	213,186
	50,179	53,851	467,260
Collateralized short-term financing agreements			
Deposits paid for securities borrowed (Note 6)	143,493	41,448	1,336,186
Trading assets (Notes 3 and 6)	130,177	63,422	1,212,189
Receivables			
Receivables from brokers, dealers and clearing organization	1,009	2,388	9,396
Receivables from customers	1,617	593	15,057
Receivables related to margin transactions	80,242	77,172	747,202
Other	2,162	2,234	20,132
	85,030	82,387	791,787
Less: allowance for doubtful accounts	(105)	(187)	(978)
	84,925	82,200	790,809
Investment securities (Notes 4 and 6)	15,107	14,310	140,674
Other assets			
Property and equipment (Notes 5 and 6)	17,970	17,991	167,334
Less: accumulated depreciation	(4,623)	(4,311)	(43,049)
	13,347	13,680	124,285
Lease deposits	3,731	3,829	34,743
Others	3,488	4,590	32,480
	20,566	22,099	191,508
Less: allowance for doubtful accounts	(856)	(1,551)	(7,971)
	19,710	20,548	183,537
<b>Total assets</b>	<b>¥ 443,591</b>	<b>¥ 275,779</b>	<b>\$ 4,130,655</b>

The accompanying notes are an integral part of these statements

## Consolidated Balance Sheets

As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31,		March 31,
	2005	2004	2005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Short-term borrowings (Notes 6 and 7)	¥ 36,126	¥ 29,036	\$ 336,400
Trading liabilities (Note 3)	112,825	42,501	1,050,610
Collateralized short-term financing agreements			
Deposits received for securities loaned (Note 6)	105,390	31,221	981,376
Securities sold to margin transactions (Note 6)	—	9,279	—
	105,390	40,500	981,376
Payables			
Payables to brokers, dealers, and clearing organizations	6,769	1,823	63,032
Payables to customers	22,314	23,660	207,785
Payables related to margin transactions	53,477	41,534	497,970
Other	2,528	2,565	23,540
	85,088	69,582	792,327
Deferred income taxes (Note 9)	2,168	1,732	20,188
Accrued and other liabilities			
Income taxes payable	355	117	3,306
Retirement benefits (Note 8)	4,798	4,582	44,678
Employees' bonuses	1,450	2,051	13,502
Other	2,477	3,000	23,066
	9,080	9,750	84,552
Statutory reserves (Note 10)	846	728	7,878
Minority interests	189	164	1,760
Commitments and contingent liabilities (Note 11)			
Shareholders' equity			
Common stock:			
Authorized : 972,730,000 and 972,730,000 shares as of March 31, 2005 and 2004, respectively			
Issued : 285,582,115 and 285,582,115 shares as of March 31, 2005 and 2004 respectively	36,000	36,000	335,227
Additional paid - in capital	37,636	35,578	350,461
Retained earnings	16,969	13,663	158,013
Revaluation reserve	4,173	3,567	38,858
Foreign currency translation adjustment	(225)	(206)	(2,095)
Less: treasury shares, at cost, 9,174,747 and 29,337,427 shares as of March 31, 2005 and 2004, respectively	(2,674)	(6,816)	(24,900)
Total shareholders' equity	91,879	81,786	855,564
Total liabilities and shareholders' equity	¥ 443,591	¥ 275,779	\$ 4,130,655

The accompanying notes integral part of these statements

## Consolidated Statements of Income

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31,		March 31,
	2005	2004	2005
<b>Revenues</b>			
Commissions (Note 12)	¥ 31,598	¥ 30,797	\$ 294,236
Net gain on trading	7,982	15,002	74,327
Interest and dividend income	1,371	1,226	12,767
<b>Total revenues</b>	<b>40,951</b>	<b>47,025</b>	<b>381,330</b>
<b>Interest expenses</b>	<b>929</b>	<b>833</b>	<b>8,651</b>
<b>Net revenues</b>	<b>40,022</b>	<b>46,192</b>	<b>372,679</b>
<b>Selling, general and administrative expenses (Note 13)</b>	<b>34,634</b>	<b>36,439</b>	<b>322,507</b>
<b>Operating income</b>	<b>5,388</b>	<b>9,753</b>	<b>50,172</b>
<b>Other, net (Note 14)</b>	<b>752</b>	<b>2,065</b>	<b>7,003</b>
<b>Income before income taxes and minority interests</b>	<b>6,140</b>	<b>11,818</b>	<b>57,175</b>
<b>Income taxes (Note 9)</b>			
Current	112	119	1,043
Deferred	—	(8)	—
	112	111	1,043
<b>Minority interests</b>	<b>27</b>	<b>11</b>	<b>252</b>
<b>Net income</b>	<b>¥ 6,001</b>	<b>¥ 11,696</b>	<b>\$ 55,880</b>
<b>Earnings per share</b>			
<b>Net income</b>		<b>Yen</b>	<b>U.S. dollars</b>
Basic	¥ 21.33	¥ 42.29	\$ 0.20
Diluted	¥ 21.26	¥ 42.17	\$ 0.20

*The accompanying notes integral part of these statements*

## Consolidated Statements of Shareholders' Equity

March 31, 2005 and 2004

	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
<b>Balance as of March 31, 2003</b>	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)
<b>Balance as of March 31, 2004</b>	285,582	¥ 36,000	¥ 35,578	¥ 13,663	¥ 3,567	¥ (206)	¥ (6,816)
Net income for the year	-	-	-	6,001	-	-	-
Cash dividends paid	-	-	-	(2,562)	-	-	-
Bonus payments to directors	-	-	-	(133)	-	-	-
Gain on disposal of treasury shares	-	-	2,058	-	-	-	-
Change in revaluation reserve	-	-	-	-	606	-	-
Change in translation adjustment	-	-	-	-	-	(19)	-
Change in treasury shares	-	-	-	-	-	-	4,142
<b>Balance as of March 31, 2005</b>	285,582	¥ 36,000	¥ 37,636	¥ 16,969	¥ 4,173	¥ (225)	¥ (2,674)

Thousands of U.S. Dollars (Note 1)

<b>Balance as of March 31, 2004</b>	\$ 335,227	\$ 331,297	\$ 127,228	\$ 33,215	\$ (1,918)	\$ (63,470)
Net income for the year	-	-	55,880	-	-	-
Retirement of treasury shares	-	-	(23,857)	-	-	-
Bonus payments to directors	-	-	(1,238)	-	-	-
Gain on disposal of treasury shares	-	19,164	-	-	-	-
Change in revaluation reserve	-	-	-	5,643	-	-
Change in translation adjustment	-	-	-	-	(177)	-
Change in treasury shares	-	-	-	-	-	38,570
<b>Balance as of March 31, 2005</b>	\$ 335,227	\$ 350,461	\$ 158,013	\$ 38,858	\$ (2,095)	\$ (24,900)

The accompanying notes integral part of these statements

## Consolidated Statements of Cash Flows

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 6,140	¥ 11,818	\$ 57,175
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities			
Depreciation and amortization	810	1,320	7,543
Provision for doubtful accounts	27	96	251
Provision for retirement benefits	216	(51)	2,011
Employees' bonuses	(601)	1,174	(5,596)
Provision for statutory reserves	118	210	1,099
Gains on sale of investment securities, net	(499)	(2,596)	(4,647)
Losses related to fixed assets	68	546	633
Losses (Gains) on the sale of fixed assets	14	(73)	130
Losses on devaluation of investment securities	8	45	75
Interest and dividend income	(1,747)	(1,339)	(16,268)
Interest expenses	929	805	8,651
Increase in receivables	(2,741)	(37,779)	(25,524)
Increase in payables	15,510	34,029	144,427
Decrease in trading assets and liabilities, net	3,569	1,257	33,234
Increase in collateralized short-term financing agreements, net	(37,155)	(3,789)	(345,982)
Other, net	(1,897)	2,240	(17,665)
Subtotal	(17,231)	7,913	(160,453)
Interest and dividend received	1,634	1,335	15,216
Interest paid	(725)	(770)	(6,751)
Income tax paid	(124)	(80)	(1,155)
Net cash (used in) provided by operating activities	(16,446)	8,398	(153,143)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(282)	(1,078)	(2,626)
Proceeds from sale of property and equipment	240	732	2,235
Purchase of investment securities	(213)	(323)	(1,983)
Proceeds from sale of investment securities	1,219	4,459	11,351
Other, net	(531)	1,190	(4,945)
Net cash provided by investing activities	433	4,980	4,032
<b>Cash flows from financing activities</b>			
Increase in short-term borrowings	7,099	1,258	66,105
Purchase of common stocks	(2,006)	(8,085)	(18,680)
Proceeds from sale of common stocks	8,205	262	76,404
Cash dividends paid	(2,562)	—	(23,857)
Cash dividends to minority shareholders	(3)	—	(28)
Other, net	—	57	—
Net cash provided by (used in) financing activities	10,733	(6,508)	99,944
Effect of exchange rate changes on cash and cash equivalents	(19)	(72)	(177)
Net (decrease) increase in cash and cash equivalents	(5,299)	6,798	(49,344)
Cash and cash equivalents at the beginning of year	31,766	24,968	295,801
Cash and cash equivalents at the end of year (Note 16)	¥ 26,467	¥ 31,766	\$ 246,457

The accompanying notes 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 reclassifications 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, 2005, which was ¥ 107.39 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 2004 financial statements and notes have been reclassified to conform with the 2005 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 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 name of the consolidated subsidiaries as of March 31, 2005 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 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.

### **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) 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. 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" 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 have 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 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 internal rules.

**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".

**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.

**Consumption Taxes**

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

**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 statements of income 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, 2005 (see Note 17 for the impact that this standard will have on the Company's financial position).

### **Change in presentation of accounts**

On June 29, 2004, the Company's Shareholders' meeting resolved to include real estate services in business purpose on its article of incorporation. From the fiscal year beginning from April 1, 2004 rental income on real estates from the 3rd parties which was included in "Other, net" are included in "Commissions" pursuant to the change in the article of incorporation. As a result, "Commissions" and "Operating income" increased by ¥ 216 million (\$2,011 thousand) respectively, and "Other, net" decreased by ¥ 216 million (\$2,011 thousand), however there was no impact on "Income before income taxes and minority interest" as compared with the amounts that would have been recorded if the accounting method had not been changed.

### **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 over-the-counter ("OTC") financial instruments are presented in the accompanying consolidated balance sheets on a gross basis.

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 price 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, interest rate, dividend yield, time to expiration, volatility factors, market liquidity and other statistical adjustments relevant to the instrument on similar instruments.

Trading assets and liabilities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2005	March 31, 2004	March 31, 2005
<b>Trading assets:</b>			
Equity and warrants	¥ 15,240	¥ 15,190	\$ 141,912
Bonds	113,140	47,829	1,053,543
Beneficiary certificates of investment trust	1,683	230	15,672
Derivatives	114	173	1,062
	¥ 130,177	¥ 63,422	\$ 1,212,189
<b>Trading liabilities:</b>			
Equity and warrants	¥ 10,201	¥ 8,544	\$ 94,990
Bonds	102,541	33,811	954,847
Derivatives	83	146	773
	¥ 112,825	¥ 42,501	\$ 1,050,610

Notional amounts and market value of derivatives as of March 31, 2005 and 2004 were as

	Millions of yen							
	March 31, 2005				March 31, 2004			
	Assets		Liabilities		Assets		Liabilities	
	Notional amount	Market value	Notional amount	Market value	Notional amount	Market value	Notional amount	Market value
Options	¥ 9,366	¥ 63	¥ 20,843	¥ 62	¥ 17,050	¥ 130	¥ 19,070	¥ 114
Foreign exchange forwards	—	—	2,886	2	1,510	7	—	—
Futures and forwards	4,618	51	3,501	19	9,094	36	804	32

	Thousands of U.S. dollars			
	March 31, 2005			
	Assets		Liabilities	
	Notional amount	Market value	Notional amount	Market value
Options	\$ 87,215	\$ 587	\$ 194,087	\$ 577
Foreign exchange forwards	—	—	26,874	19
Futures and forwards	43,002	475	32,601	177

#### 4. Investment securities

Investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen					
	March 31, 2005			March 31, 2004		
	Acquisition cost	Balance sheets	Difference	Acquisition cost	Balance sheets	Difference
Securities with market value that exceed acquisition cost:	¥ 5,474	¥ 11,889	¥ 6,415	¥ 5,403	¥ 10,796	¥ 5,393
Stocks	5,391	11,805	6,414	5,403	10,796	5,393
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	83	84	1	—	—	—
Securities with market value that do not exceed acquisition cost:	711	598	(113)	1,234	1,096	(138)
Stocks	501	425	(76)	940	842	(98)
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	210	173	(37)	294	254	(40)
	¥ 6,185	¥ 12,487	¥ 6,302	¥ 6,637	¥ 11,892	¥ 5,255
Without market value:						
Stocks ( non-listed)		¥ 2,491			¥ 2,418	
Bonds ( non-listed)		—			—	
Others		129			—	
		¥ 2,620			¥ 2,418	
<b>Total</b>		¥ 15,107			¥ 14,310	

	Thousands of U.S. dollars		
	March 31, 2005		
	Acquisition cost	Balance sheets	Difference
Securities with market value that exceed acquisition cost:	\$ 50,973	\$ 110,709	\$ 59,736
Stocks	50,200	109,926	59,726
Bonds	—	—	—
Governmental/local bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	773	782	9
Securities with market value that do not exceed acquisition cost:	6,621	5,568	(1,053)
Stocks	4,665	3,958	(707)
Bonds	—	—	—
Governmental/local bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	1,955	1,611	(344)
	\$ 57,594	\$ 116,277	\$ 58,683
Without market value:			
Stocks ( non-listed)		\$ 23,196	
Bonds ( non-listed)		—	
Others		1,201	
		\$ 24,397	
<b>Total</b>		\$ 140,674	

The proceeds from sales of, and gross realized gain and loss on, investment securities for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Proceeds from sales	¥ 1,219	¥ 4,459	\$ 11,351
Gross realized gains	534	2,937	4,973
Gross realized losses	(35)	341	(326)

Money in trust (money in trust, other than that for trading purposes, held to maturity) as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen					
	March 31, 2005			March 31, 2004		
	Acquisition cost	Balance sheets	Difference	Acquisition cost	Balance sheets	Difference
Other money in trust	¥ 4,524	¥ 4,528	¥ 4	¥ 4,554	¥ 4,553	¥ (1)

	Thousands of U.S. dollars		
	March 31, 2005		
	Acquisition cost	Balance sheets	Difference
Other money in trust	\$ 42,127	\$ 42,164	\$ 37

## 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
	2005	2004	U.S. dollars
Acquisition cost	¥ 1,574	¥ 2,254	\$ 14,657
Accumulated depreciation	1,127	1,481	10,494
Net book value at year end	¥ 447	¥ 773	\$ 4,163

### (2) Future Lease payments

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
Due in one year or less	¥ 270	¥ 433	\$ 2,515
Due after one year	200	407	1,862
Total	¥ 470	¥ 840	\$ 4,377

### (3) Lease expenses, depreciation and interest expenses

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
Lease payment	¥ 441	¥ 555	\$ 4,107
Depreciation	383	476	3,566
Interest expense	33	56	307

### (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, 2005 and 2004 were summarized as follows:

	Millions of yen					
	Obligations secured by pledged assets	Cash in banks	Trading securities	Investment securities	Total	
2005						
Short-term borrowings	¥ 16,230	¥ 50	¥ 14,135	¥ 5,710	¥	19,895
Borrowing for margin transaction	49,938	—	—	—	¥	—
Deposits received for securities loaned	105,390	—	84,256	—	¥	84,256
	¥ 171,558	¥ 50	¥ 98,391	¥ 5,710	¥	104,151

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

	Thousands of U.S. dollars					
	Obligations secured by pledged assets	Pledged Assets				Total
		Cash in banks	Trading securities	Investment securities		
2005						
Short-term borrowings	\$ 151,131	\$ 466	\$ 131,623	\$ 53,171	\$ 185,260	
Borrowing for margin transaction	465,015	—	—	—	—	
Deposits received for securities loaned	981,376	—	784,580	—	784,580	
	\$ 1,597,522	\$ 466	\$ 916,203	\$ 53,171	\$ 969,840	

In addition to the above, as of March 31, 2005, ¥9,374 million of stocks received as collateral from customers under self-financing margin transactions for which the Company has not utilized securities finance companies and ¥21,277 million of stocks received as collateral from customers for securities borrowed, are pledged as collateral. In addition, ¥300 million of cash in banks, ¥12 million of trading securities, ¥297 million of property and equipment, ¥300 million of investment securities and ¥1,010 million of stocks received from self-financing on margin transactions are pledged as initial margin for futures transactions.

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.

The fair value of securities pledged and received as collateral at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of
	2005	2004	dollars
<b>Pledged Securities:</b>			
Securities loaned to customers for margin transactions	¥ 3,864	¥ 3,573	\$ 35,981
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transaction	48,985	38,956	456,141
Securities loaned for collateralized short-term financing agreements	105,533	31,087	982,708
Securities pledged related to securities sold under repurchase agreements	—	9,299	—
Securities pledged as collateral for short-term guarantee	26,226	25,480	244,213
Securities pledged as collateral for long-term guarantee	165	151	1,536
<b>Received Securities:</b>			
Securities received from customers for loans under margin transactions	¥ 73,520	¥ 70,494	\$ 684,608
Securities borrowed from finance companies or securities exchange brokers for margin transactions	4,647	9,462	43,272
Short-term securities borrowed	144,009	41,164	1,340,991
Securities received as collateral for short-term guarantee	41,308	71,900	384,654
Securities received as collateral for long-term guarantee	246	203	2,291
Others	1,035	761	9,638

## **7. Short-term borrowings**

Short-term borrowings as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	2005	2004	dollars
Borrowings from financial institutions	¥ 33,346	¥ 26,256	\$ 310,513
Borrowings from securities finance companies	2,430	2,430	22,628
Borrowings from others	350	350	3,259
<b>Total</b>	<b>¥ 36,126</b>	<b>¥ 29,036</b>	<b>\$ 336,400</b>

## **8. Retirement benefits**

The Company and its domestic consolidated subsidiaries have a qualified pension plan as its defined benefit pension plan. Extra retirement benefits are paid to the employees at the time of termination of service in certain cases. The welfare pension plan that was administered by the Securities Companies' Welfare Pension Fund and that the Company participated in was dissolved on March 25, 2005.

In addition, Directors' retirement benefits of ¥ 372 million and ¥ 307 million were included in "Retirement benefits" on the consolidated balance sheets as of March 31, 2005 and 2004, respectively.



The following table sets forth the changes in benefits obligation, plan assets and funded status of the Company as of March 31, 2005 and 2004:

	Millions of yen		Thousands of dollars
	2005	2004	2005
Projected benefits obligations	¥ (9,251)	¥ (8,885)	\$ (86,144)
Plan assets	3,401	2,893	31,670
Unfunded retirement benefit obligation	(5,850)	(5,992)	(54,474)
Unrecognized net actuarial differences	1,424	1,719	13,260
Net amounts reported in the consolidated balance sheets	¥ (4,426)	¥ (4,273)	\$ (41,214)

Amounts relating to the Securities Companies' Welfare Pension Fund are not included in the figures disclosed as at the year ended March 31, 2004 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 as of March 31, 2004.

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 were outlined as follows:

	Millions of yen		Thousands of dollars
	2005	2004	2005
Service cost	¥ 791	¥ 1,702	\$ 7,366
Interest cost	166	158	1,546
Expected return on plan assets	(58)	(47)	(540)
Amortization of actuarial differences	219	224	2,039
Net pension expense	¥ 1,118	¥ 2,037	\$ 10,411

Service cost includes contribution to the Securities Companies' Welfare Pension Fund amounting to ¥200 million and ¥1,052 million for the years ended March 31, 2005 and 2004,

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
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 differences between the financial reporting and tax basis 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, 2005 and 2004 were as follows:

	Millions of yen		Thousands of
	2005	2004	dollars
Deferred tax assets:			2005
Retirement benefits	¥ 1,743	¥ 1,675	\$ 16,231
Allowance for doubtful accounts	338	619	3,147
Loss on devaluation of investment securities	618	642	5,755
Reserve for securities transaction	335	288	3,119
Directors' retirement benefits	145	121	1,350
Other	1,524	1,593	14,192
Sub total	4,703	4,938	43,794
Tax loss carried forward	5,772	7,684	53,748
Deferred tax assets	10,475	12,622	97,542
Valuation allowance	(10,475)	(12,622)	(97,542)
Net deferred tax assets	—	—	—
Deferred tax liabilities			
Valuation reserve on investment securities	¥ 2,160	¥ 1,724	\$ 20,114
Other	8	8	74
Deferred tax liabilities	¥ 2,168	¥ 1,732	\$ 20,188

Reconciliations 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, 2005 and 2004 were as follows:

	2005	2004
Effective statutory tax rate	39.55%	41.83%
Increase (decrease) due to:		
Permanent non-deductible items	(2.71)	0.28
Utilization of tax loss carried forward	(31.47)	(38.35)
Resident tax per capita levy	1.29	0.68
Other, net	(4.83)	(3.50)
Effective income tax rate	1.83%	0.94%

## 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, 2005 and 2004, the Company was contingently liable as follows:

	Millions of yen		Thousands of
	2005	2004	dollars
Guarantees for employees' borrowings from financial institution	¥ 99	¥ 122	\$ 922

## 12. Commissions

Commissions earned for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	2005	2004	dollars
Brokerage	¥ 22,003	¥ 22,176	\$ 204,889
Underwriting and distribution	5,485	5,357	51,076
Other	4,110	3,264	38,271
<b>Total</b>	<b>¥ 31,598</b>	<b>¥ 30,797</b>	<b>\$ 294,236</b>

## 13. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	2005	2004	dollars
Employees' compensation and benefits	¥ 19,376	¥ 20,933	\$ 180,426
Brokerage and other commissions	1,647	1,614	15,337
Communication and transportation	2,255	2,482	20,998
Real estate expenses	5,059	5,556	47,109
Data processing and office supplies	2,897	2,863	26,976
Taxes other than income taxes	535	253	4,982
Depreciation	554	634	5,159
Amortization	256	686	2,384
Other	2,055	1,418	19,136
<b>Total</b>	<b>¥ 34,634</b>	<b>¥ 36,439</b>	<b>\$ 322,507</b>

## 14. Other, net

The components of "Other, net" in the consolidated statements of income for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of
	2005	2004	dollars
Net gain (loss) on investments securities	¥ 491	¥ 2,552	\$ 4,572
System alteration costs	(668)	(548)	(6,220)
Net loss from sale of fixed assets	(14)	(384)	(130)
Loss on disposal of fixed assets	(68)	(89)	(633)
Other	1,011	534	9,414
<b>Total</b>	<b>¥ 752</b>	<b>¥ 2,065</b>	<b>\$ 7,003</b>

### 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 were as follows while those for the year ended March 31, 2005 were not provided as there is no such transactions:

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the related company	Transactions		Resulting accounting balance at March 31, 2004	
				Description of the transaction	For the year ended March 31, 2004	Account	
					Millions of yen	Millions of yen	
UFJ Bank (Nagoya)	¥ 843,582 million	Banking Business	Directory 12.65%	Interest expense	¥74	Short-term borrowing	¥7,000
				Commitment line contract	¥38		

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 balance at March 31, 2004	
				Description of the transaction	For the year ended March 31, 2004	Account	
					Millions of yen	Millions of yen	
UFJ Tsubasa Securities (Tokyo)	¥ 25,107 million	Securities Business	- %	Securities borrowed	¥588,590	Cash collateral pledged for securities borrowed	¥2,773
				Deposits paid for securities borrowed	¥607,728		
				borrowing fee	¥3		
				Interest received	¥2		
				Securities loaned	¥1,630	Cash collateral received for securities loaned	-
				Deposits received for securities loaned	¥1,518		

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.

### 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, 2005 and 2004 is presented as follows:

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2005	2004	March 31,
Cash and time deposits	¥ 27,285	¥ 32,376	\$ 254,074
Time deposits with maturity of over 3 months	(818)	(610)	(7,617)
Cash and cash equivalents	¥ 26,467	¥ 31,766	\$ 246,457

### 17. Subsequent events

On June 27, 2005 the Company's Board of Directors authorized the establishment of a employee retirement benefit trust and contribution of its investment securities to the trust. As a result gains on establishment of a retirement benefit amounting to ¥3,168 million will be posted to "Others, net" for the year ended March 31, 2006. Impairment losses of fixed assets calculated in pursuant to the standard "Accounting Standard for Impairment of Fixed Assets", which shall be effective for the fiscal years beginning April 1, 2005, were estimated as ¥3,936 million.

Cash dividends of ¥2,764 million ( ¥10 per share ) were approved by the shareholders' meeting held on June 29, 2005 as the appropriation of retained earning for the year ended March 31, 2005.

## Company Information

### Board of Directors and Statutory Auditors

(as of June 29, 2005)

#### ( Directors )

Chairman

*Masao Okumura*

President

*Tateaki Ishida*

Vice Presidents

*Kiyoshi Asakawa*

Senior Managing Director

*Kimihiro Funahashi*

Managing Director

*Takashi Matsunaga*

Directors

*Yasuo Takamatsu*

*Masaaki Takeda*

#### ( Statutory Auditors )

*Fumio Takahashi*

*Syuji Murase*

*Akira Nishigaki*

*Yukimasa Iwamoto*

#### ( Senior Executive Officers )

*Kazue Kobayashi*

*Tadashi Kaneko*

*Hajime Watanabe*

#### ( Executive Officers )

*Takayoshi Matsuzawa*

*Kunihiro Hatae*

*Shinji Myouken*

*Syouyuu Mizuno*

*Yoshikazu Yamaguchi*

*Minoru Yoshida*

## **Directory**

### **Head Office**

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Fax:03-3566-8717

### **Nagoya Main Office**

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Nagoya 460-8431, Japan  
Tel: 052-223-1111  
Fax: 052-223-2149

### **Osaka Office**

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Osaka 541-0045, Japan  
Tel: 06-6231-9251  
Fax: 06-6231-9464

## **Overseas Subsidiary**

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8 Connaught Place, Central, Hong Kong

## **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 Master Trust Bank of Japan, Ltd.  
The UFJ Bank, Ltd.  
Japan Securities Finance Co., Ltd.  
Japan Trustee Services Bank, Ltd.  
Meiji Yasuda Life Insurance Company

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