Annual Report 2007

For the Fiscal Year Ended March 31, 2007

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 “Premier House”.

Through its network of 74 branches (as of June 28, 2007) in key cities throughout Japan that focuses on the three metropolitan areas of Tokyo, Nagoya and Osaka. Under its three-year business plan, Tokai Tokyo Securities is taking advantage of the changes in the securities market in Japan to take a leap forward and become a highly respected and sought after the Premier House in the securities market.

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Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Total revenues	¥ 63,766	¥ 71,777	$ 540,157
Operating income	17,998	26,544	152,458
Net income	10,669	22,085	90,377
Total assets	525,822	638,148	4,454,236
Total equity	103,898	108,274	880,124
Per share of common stock	yen		U.S. dollars
Basic net income	¥ 39.65	¥ 79.05	$ 0.34
Cash dividends applicable to the year	17.50	25.00	0.15

Note: U.S. dollar amounts are translated for convenience only at the rate of ¥118.05=U.S.$1.00.

Message From The President

Aiming to become the

‘‘Premier House’’

1 Community House

Focusing on contributing to the prosperity and welfare of our regional community.

2 Solution House

No longer just providing brokerage services but also optimal solutions for financial needs.

3 Products House

Strong products are essential for competing in today's increasingly global markets.

Over the past fiscal year, there has been much progress at Tokai Tokyo Securities Co., Ltd. We moved strongly ahead with our agenda under our three-year management plan covering the period up to March 2009.

Called Innovation Jump Up 5, it addresses the dramatic changes taking place in Japan's securities markets. Guiding our evolution into the premier securities house in Japan, the plan focuses on three important aspects of our services.

We are developing into a “community house,” concentrating on building an operational stronghold in regional markets by going one step beyond securities services to contribute to the overall prosperity and welfare of regional communities as well as our customers.

We are converting ourselves from a “brokerage house” to a “solution house.” Distancing ourselves from a mass market business model, we want to provide optimal solutions for financial needs based on outstanding financial engineering expertise and research and analysis skills.

Finally, we are becoming a “products house” because product creation lies at the heart of a securities company's competitive strength in today's dynamic and global markets. Building our own capabilities through our investment banking business unit, we also have set up subsidiaries to specialize in specific products and established an overseas subsidiary in London to expand access to global products.

The combined changes in image are intended to position Tokai Tokyo Securities as the most respected and reputable house in Japan with a status similar to a private bank.

Bold Measures for the Changing Face of Financial Services

Japan's financial system is making a transition from its traditional emphasis on savings to investment. This will bring about a massive change in the distribution of household financial assets. Stocks and investment trusts account for only about 11% of the more than ¥1,500 trillion or about US$13 trillion in household finance assets in Japan, less than half the 28% proportion in the United States. The core issue in this redistribution is accustoming Japanese individual investors to risk – something to which they are traditionally averse and inexperienced with managing. Clearly, the process is going to take a lot of customer education and a hands-on approach.

At the same time, the securities industry in Japan has undergone significant changes. The advent of Internet trading has eroded brokerage commissions to the point that securities companies can no longer base growth strategies on brokerage. Amalgamation within the financial services industry has produced even more mega banks and mega securities companies, ramping up competition for brokerage and fee-based business even in small regional securities markets.

Amid this change, as a mid-sized, independent securities company, Tokai Tokyo Securities is taking steps to protect its markets and position itself for further growth and development by positioning itself as a premier house for principally high net worth customers.

Evolution Built on Strength

Our strategies are built around our strengths: our dominant presence in the Tokai region, the large proportion of high net worth individuals in our customer base, and our significant resources and independent management.

Our greatest strength is our dominant position in the prosperous Tokai region, which boasts the top per capita gross domestic product (GDP) and net savings per household in the country. We have the largest branch network among securities companies in this our home market and a long history of close ties with leading regional financial institutions and corporations and individual investors.

Around half of our revenues come from high net-worth individuals rather than the mass market. Moreover, our customers are older and their transactions much larger than those of individual investors in the mass market. Over 90% of our individual customers have accounts in excess of ¥5 million, and the proportion of customers with assets exceeding ¥10 million continues to rise.

Finally, we are extremely sound financially, with a capital adequacy ratio of over 400%. This financial power underpins our current drive. Moreover, independent of the major conglomerates in the financial services industry, we have the freedom to move quickly and decisively.

Progress Report on Innovation Jump Up 5

Our three-year management plan derives its name from the five areas selected for reform: corporate governance and corporate culture, business portfolio and business models, marketing and information networks, products and services, and roles and productivity of employees. Our efforts to reform our corporate governance and corporate culture are aimed at establishing Tokai Tokyo Securities as the most trustworthy company in the industry – a core aspect of premier status. Moreover, they play a key role in the proper management of risk. We have clarified the division of responsibilities between non-executive and executive directors and set up an internal audit committee. To ensure comprehensive management of our business units, we revised the rules of our plan, do, check, act (PDCA) cycle to ensure continuous improvement and are developing advanced management systems. We also did extensive work on designing an internal control system, becoming the first second-tier securities company to do so. Finally, we instituted various measures to shift the focus within the Company from individual effort to team effort, such group rating systems starting at team levels.

First and foremost in our drive to reform our business portfolio and business models is the expansion of our investment banking business. Although we are somewhat behind in getting our derivatives system up to speed, we have achieved much to strengthen our bond and customer account dealing teams and are proceeding on course with the development of our investment banking infrastructure. During the fiscal year, we set up Tokai Tokyo Investment Co., Ltd., to develop other types of managed products, including equity funds and expanded the real estate fund-related business of Tokai Tokyo Finance and Real Estate Co., Ltd. To aid our transition from a brokerage to a consulting-oriented business, we improved our consulting tools and education and trading systems. As featured on page 7, we opened a new knowledge-intensive branch, "Midland Premier Salon," in downtown Nagoya targeting wealthy customers. Our ultimate goal is to increase the revenue contribution of investment banking and securities dealing from 15% to about 35% of total revenues, establishing it as a core business along with our retail business.

In reforming our marketing and information networks, we have been busy reorganizing our sales channels, improving our information management, and setting up a worldwide intelligence system. Reorganizing our branch administration department, we re-assigned 130 employees as sales support personnel. We opened three branches and renovated or moved 20 branches. Expanding services for our mass market customers, we created a central customer support center. To improve information management, we introduced advanced IT systems, including LCD broadcasts, video on demand, Web conferencing, and a mobile consulting tool. We also established a Knowledge Center as a resource for customers and salespersons and formed tie-ups with leading information vendors. To spread our information net globally, we started up operations of our subsidiary in London and sent research staff to train at foreign financial institutions in the United States and China with which we have close ties.

There was a whirlwind of action in our products and services reforms during the past fiscal year. On the education and promotional front, we upped our number of seminars to almost 1,700 in one year and held major events targeting baby boomers and overseas investment. Among investment products, we introduced our own wrap account products and unveiled a host of structured and alternative products, doubling our sales of structured products. We pioneered a highly popular investment trust fund that attracted close to ¥3 trillion in investment. Our investment subsidiaries also created new products, such as private placement real estate funds (TFR) and venture capital funds (TTI). And we began to make headway in expanding our solution capabilities, establishing the Corporation Solution Promotion Department to spearhead our marketing efforts.

Targeting reform of the roles and productivity of employees, we introduced powerful sales tools, such as sophisticated customer relations management systems, an improved map system, and a mobile consulting tool. We encouraged our people to share their knowledge and experience through an internal Internet community site. To keep employees satisfied and motivated, we revised our reward systems, introduced the job title of “expert,” and organized a working team to promote the achievements of women within our company. For training and education, we continued to expand the opportunities for self-improvement, conducting daily 5-minute online drills for salespersons, holding training sessions in the cafeteria, and increasing access to external education institutions. To ensure that our salespersons meet the highest professional standards, we are requiring them to obtain affiliated financial planner (AFP) certification to be eligible for promotion to managerial levels and introduced an investment product sales supervisor system.

On a systems level, we are backing up our reform efforts with a next-generation strategic information system that came online in October 2006. In view of future business projections, we also have decided to install a state-of-the-art accounting system.

Our numerical targets for the culmination of the three-year plan are ordinary income, or income before extraordinary items, exceeding ¥40 billion, an ROE above 15%, and a credit rating of single A or above. While quite a challenge, I believe we are still on track to make a run at those figures.

Business Alliances

Extending our network of expertise and services through business alliances is an important part of our overall strategy. The past fiscal year saw us take some key first steps in fleshing out our plans. The most major of those deals is perhaps our agreement with Yamaguchi Financial Group, one of the largest regional financial groups in the Chugoku and Shikoku area, to consider establishing a joint securities company. Should all go as planned, this alliance would represent a model for further strengthening our regional power through tie-ups with regional financial institutions that wish to access sophisticated financial technology and offer advanced financial products to their clients but do not have the expertise to do so.

Among other major alliances formed during the fiscal year, we entered into an agreement with Daewoo Securities Co., Ltd., of Korea, regarding securities distribution to gain access for our customers to some of the attractive equity issues in Korea. We also concluded an alliance with Meinan Management Consulting Network to provide business consultancy services to our customers. Following the end of the fiscal year, we announced a business tie-up with The Sumitomo Trust & Banking Co., Ltd., to start a consulting company to provide a wide range of consulting and advisory services as well as product and service packaging.

The Business at Hand

Entering the second year of our management plan, we are beginning to reap the rewards of our efforts. There is still much to do, particularly as we are making a major push in our investment banking business. With substantial changes occurring in the infrastructure of the securities industry, such as the introduction of next-generation trading systems, the full implementation of paperless trading, and the shift to T+1 settlement, the timing of our sweeping reforms couldn't be better. Indications that our image has begun to change already are emerging in the market. We are committed to change and to our evolution based on strength. Looking forward to the challenges and opportunities the future is sure to bring, we are confident that Tokai Tokyo Securities is well on the road to becoming the premier securities house in the Japanese market.

June 2007

Tateaki Ishida
President & CEO

Management's Discussion and Analysis

Operating results

During the consolidated fiscal year under review (from April 1, 2006 to March 31, 2007), the Japanese economy enjoyed continued GDP growth at a rate of 2%, making the current economic expansion period the longest in the postwar period, surpassing even the 57 months of the so-called Izanagi boom. With exports and capital investment buoyant, personal spending surged on improved employment conditions. This economic expansion was further fueled by the strengthening of the U.S. dollar against the Japanese yen, and record operating results announced by the corporate sector. Meanwhile, following the decision to end the quantitative monetary easing policy in March 2006, the Bank of Japan lifted its zero-interest rate policy in July 2006. Affected by overseas developments, including a decline in housing sales in the United States and the tightening of monetary policies in China and India, the pace of the Japanese economic expansion slowed moderately.

Amid these conditions, stock markets generally remained steady. The Nikkei Stock Average recorded a new high of ¥17,563 on April 7, 2006, but temporarily declined to ¥14,045 on June 14, 2006, amid selling pressure from foreign and individual investors in the face of an increasingly tense international situation and a hike in U.S. interest rates. Since then, the stock market has regained its upward momentum thanks to a revival of foreign buying led by a decline in long-term interest rates, strong corporate performance, a pause in the rise in U.S. interest rates, buying interest driven by improved dividend yields, and speculative buying on the strength of M&A anticipation. The Nikkei Stock Average temporarily rose to ¥18,300 on February 26, 2007, and closed at ¥17,287 at the end of the fiscal year. The trading volume remained stagnant in the first half of the fiscal year under review, but it improved in the second half with daily trading value on the First Section of the Tokyo Stock Exchange reaching ¥4.8 trillion on February 28, 2007. The average daily turnover for the fiscal year under review was ¥2.6 trillion, exceeding the ¥2.2 trillion of the previous year. It was, however, noted that the participation of individual investors was not strong, as they were net sellers of ¥4.5 trillion over the year, while foreign investors were net buyers of ¥6.0 trillion.

The bond market remained sluggish on anticipation that Bank of Japan was likely to lift its zero-interest rate regime following its decision to end the policy of quantitative monetary easing in March 2006. As a result, the yields on 10-year government bonds, the benchmark for long-term interest rates, temporarily rose to 2.005% on May 10. However, when the zero-interest rate policy was actually released and the call rate was raised to 0.25% on July 14, the bond market rallied, and the yields of 10-year government bond declined**.** instead, as the market had already discounted the news. Since then, with a decline in the U.S. long-term interest rates as the Federal Reserve Board has elected not to raise its rates since its last did so on June 29, and with weakened concerns over global inflation reflecting lower oil prices, long-term rates in Japan continued to fall through the rest of the fiscal year. Consequently, the yield on 10-year government bonds temporarily declined to 1.545% on March 22, 2007. On February 21, 2007, Bank of Japan raised interest rates once again, but the long-term rates did not rise as the market anticipated no subsequent rate rise would follow given the stable consumer price index.

In this environment, on a consolidated basis the Group recorded total revenues of ¥63,766 million, down 11.2% from the previous year, net revenues of ¥62,401 million, down 11.9%, and selling, general and administrative expenses of ¥44,403 million, up 0.3%. Operating income declined 32.2% year-on-year to ¥17,998 million, and net income declining 51.7% to ¥10,669 million.

1. Commissions

In the fiscal year under review, commissions received were ¥47,423 million on a consolidated basis, down 10.7% from the previous year.
The breakdown of the commissions received is as follows:

(1) Brokerage

On a consolidated basis, brokerage of stocks turnover stood at 3,934 million shares in the fiscal year under review, down 49.5% from the preceding year, with a value of ¥4,069.3 billion, down 29.4%. These declines are attributable to the slowdown in trading by individual investors. As a result, we booked overall brokerage of ¥24,956 million, down 32.9%, with equity brokerage of ¥24,866 million, down 32.9%.

(2) Underwriting and sales

On a consolidated basis, underwriting and sales for stocks were ¥845 million in the fiscal year under review, down 56.5% from the previous year, and such commissions for stocks and bonds were ¥1,078 million, down 46.8%.

(3) Subscription and distribution, and others

Subscription and distribution commissions for the fiscal year under review stood at ¥12,964 million, up 62.9% from the previous year, on a consolidated basis and other commissions received were ¥8,424 million, up 41.4%. Most of which were attributable to subscription and distribution commissions and agency commissions from investment trusts. In relation to beneficiary certificates, the subscription and distribution commissions accounted for ¥12,790 million, up 64.5%, and agency commissions, ¥5,597 million, up 37.1%.

2. Trading profit and loss

In the fiscal year under review, gains on trading of bonds were ¥6,109 million, up 31.8% from the previous year, on a consolidated basis thanks to brisk sales of foreign currency-denominated bonds and structured notes. Meanwhile, gains on trading of stocks were ¥6,613 million, down 41.2%, reflecting sluggish trading of domestic stocks. As a result, gains on trading of stocks, bonds and others totaled ¥13,582 million, down 18.0%.

3. Financial balance

In the fiscal year under review, financial revenues were ¥2,761 million, up 31.6% from the previous year, on a consolidated basis, thanks to an increase in interest income derived from margin trading. Meanwhile, financial expenses up 42.1%, to ¥1,365 million reflecting an increase in interest expenses. Hence, the positive net financial balance was ¥1,396 million, up 22.8%.

4. Selling, general and administrative expenses

In the fiscal year under review, selling, general and administrative expenses accounted for ¥44,403 million, up 0.3% on a consolidated basis. Of the amount, brokerage and other commissions were ¥2,210 million, up 6.6%, with employees' compensation and benefits at ¥25,437 million, down 8.1%, real estate expenses at ¥5,461 million, up 7.6%, and data processing and office supplies at ¥3,524 million, up 10.1%. Depreciation and amortization increased 91.8%, to ¥1,596 million, as a result of the change of the useful lives of extent software in line with the renewal of systems expected to take place in January 2008.

Financial conditions

Cash flows

In the fiscal year under review, cash outflows from operating activities were ¥17,964 million on a consolidated basis. While income before income taxes and minority interests was ¥18,537 million, trading products (liabilities), net of payables related to margin transactions, and borrowings pledged by securities declined and corporate and other taxes increased.

Cash outflows from investing activities were ¥5,303 million, reflecting the development of a branch network and IT-related investments. Cash inflows from financing activities were ¥25,390 million, attributable to a rise in borrowings and issuance of commercial paper. As a result, the balance of cash and cash equivalents was ¥37,653 million at the end of the fiscal year under review on a consolidated basis, rising ¥2,131 million from the previous year.

The Company has signed commitment-line contracts totaling ¥35 billion (as of the end of March 2007) with financial institutions.

Consolidated Financial Statements

Tokai Tokyo Securities Co., Ltd. and Subsidiaries

Years ended March 31, 2007 and 2006
with Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Tokai Tokyo Securities Co., Ltd. (the "Company") and subsidiaries (together, the "Group") as of March 31, 2007, and the related consolidated statements of income, changes in equity, and cash flows for the year 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. The consolidated financial statements of Tokai Tokyo Securities Co., Ltd. and subsidiaries for the year ended March 31, 2006 were audited by other auditors whose report, dated November 27, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2007

Consolidated Balance Sheets
Tokai Tokyo Securities Co., Ltd. and Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
ASSETS			
Cash on hand and in banks:			
Cash and time deposits (Notes 3 and 7)	**¥ 38,676**	¥ 36,458	**$ 327,626**
Cash segregated as deposits related to securities transactions	**25,396**	30,492	**215,131**
	64,072	66,950	**542,757**
Collateralized short-term financing agreements			
Deposits paid for securities borrowed	**131,251**	200,057	**1,111,826**
Trading assets (Notes 4 and 7)	**165,983**	183,272	**1,406,038**
Receivables:			
Receivables from brokers, dealers and clearing organizations	**2,599**	2,441	**22,020**
Receivables from customers	**5,278**	3,711	**44,709**
Receivables related to margin transactions	**118,846**	145,648	**1,006,744**
Others	**3,433**	3,745	**29,077**
	130,156	155,545	**1,102,550**
Less: allowance for doubtful accounts	**(110)**	(143)	**(931)**
	130,046	155,402	**1,101,619**
Investment securities (Notes 5 and 7)	**13,587**	13,333	**115,095**
Deferred tax assets (Note 11)	**2,295**	2,699	**19,438**
Other assets:			
Property and equipment (Note 7)	**15,746**	14,264	**133,389**
Less: accumulated depreciation	**(5,089)**	(4,732)	**(43,111)**
	10,657	9,532	**90,278**
Lease deposits	**3,461**	3,439	**29,319**
Others	**5,171**	4,266	**43,804**
	19,289	17,237	**163,401**
Less: allowance for doubtful accounts	**(701)**	(802)	**(5,938)**
	18,588	16,435	**157,463**
Total assets	**¥ 525,822**	¥ 638,148	**$ 4,454,236**

Consolidated Balance Sheets
Tokai Tokyo Securities Co., Ltd. and Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
LIABILITIES AND EQUITY			
Borrowings:			
Short-term borrowings (Notes 6 and 7)	**¥ 107,728**	¥ 75,770	**$ 912,563**
Commercial paper (Note 6)	**18,100**	10,500	**153,325**
Long-term borrowings (Note 6)	**150**	—	**1,271**
	125,978	86,270	**1,067,159**
Trading liabilities (Note 4)	**118,977**	145,309	**1,007,856**
Collateralized short-term financing agreements:			
Deposits received for securities loaned (Note 7)	**50,106**	143,146	**424,446**
Securities sold under repurchase agreements (Note 7)	**28,305**	15,492	**239,769**
	78,411	158,638	**664,215**
Payables:			
Payables to brokers, dealers, and clearing organizations	**19,092**	9,822	**161,726**
Payables to customers	**24,442**	34,435	**207,050**
Payables related to margin transactions (Note 7)	**34,264**	69,361	**290,250**
Others	**5,586**	7,506	**47,321**
	83,384	121,124	**706,347**
Deferred tax liabilities (Note 11)	**592**	861	**5,018**
Accrued and other liabilities:			
Income taxes payable	**5,584**	7,597	**47,297**
Employees' bonuses	**4,127**	4,540	**34,963**
Liability for retirement benefits (Note 8)	**1,085**	1,051	**9,192**
Others	**2,773**	3,221	**23,487**
	13,569	16,409	**114,939**
Statutory reserves	**1,013**	1,013	**8,578**
Total liabilities	**421,924**	529,624	**3,574,112**
Minority interests	—	250	—
Commitments and contingent liabilities (Notes 12 and 13)			
Equity (Note 9)			
Common stock:			
authorized: 972,730,000 shares			
issued: 285,582,115 shares in 2007 and 2006	**36,000**	36,000	**304,956**
Capital surplus	**37,584**	37,586	**318,376**
Retained earnings	**37,685**	36,188	**319,227**
Net unrealized gain on available-for-sale securities	**2,158**	2,836	**18,283**
Foreign currency translation adjustments	**(121)**	(126)	**(1,026)**
Less: treasury stock, at cost: 20,116,929 shares in 2007; 11,516,232 shares in 2006	**(9,634)**	(4,210)	**(81,614)**
Total	**103,672**	108,274	**878,202**
Minority interests	**226**	—	**1,922**
Total equity	**103,898**	108,274	**880,124**
Total liabilities and equity	**¥ 525,822**	¥ 638,148	**$ 4,454,236**

See notes to consolidated financial statements.

Consolidated Statements of Income
Tokai Tokyo Securities Co., Ltd. and Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Revenues:			
Commissions (Note 14)	**¥ 47,423**	¥ 53,110	**$ 401,718**
Net gain on trading (Note 4)	**13,582**	16,569	**115,050**
Interest and dividend income	**2,761**	2,098	**23,389**
Total revenues	**63,766**	71,777	**540,157**
Interest expense	**1,365**	960	**11,561**
Net revenues	**62,401**	70,817	**528,596**
Selling, general and administrative expenses (Note 15)	**44,403**	44,273	**376,138**
Operating income	**17,998**	26,544	**152,458**
Others, net (Note 16)	**539**	(318)	**4,564**
Income before income taxes and minority interests	**18,537**	26,226	**157,022**
Income taxes (Note 11):			
Current	**7,312**	7,376	**61,939**
Deferred	**532**	(3,297)	**4,503**
	7,844	4,079	**66,442**
Minority interests	**24**	62	**203**
Net income	**¥ 10,669**	¥ 22,085	**$ 90,377**

Per share of common stock (Notes 2.q and 17):	Yen		U.S. dollars
Basic	**¥ 39.65**	¥ 79.05	**$ 0.34**
Diluted	**39.65**	78.98	**0.34**
Cash dividends applicable to the year	**17.50**	25.00	**0.15**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity
Tokai Tokyo Securities Co., Ltd. and Subsidiaries
For the years ended March 31, 2007 and 2006

	Thousands of shares		Millions of yen								
	Common stock	*Treasury stock*	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available -for-sale securities	Foreign currency translation adjustment	Treasury stock	Total	Minority interests	Total equity
Balance as of April 1, 2005	*285,582*	—	¥ 36,000	¥ 37,636	¥ 16,969	¥ 4,173	¥ (225)	¥ (2,674)	¥ 91,879	—	¥ 91,879
Net income for the year	—	—	—	—	22,085	—	—	—	22,085	—	22,085
Cash dividends paid	—	—	—	—	(2,764)	—	—	—	(2,764)	—	(2,764)
Bonus payments to directors	—	—	—	—	(102)	—	—	—	(102)	—	(102)
Gain on disposal of treasury stock	—	—	—	(50)	—	—	—	—	(50)	—	(50)
Change in revaluation reserve	—	—	—	—	—	(1,337)	—	—	(1,337)	—	(1,337)
Change in translation adjustment	—	—	—	—	—	—	99	—	99	—	99
Change in treasury stock	—	—	—	—	—	—	—	(1,536)	(1,536)	—	(1,536)
Balance as of March 31, 2006	*285,582*	*11,516*	¥ 36,000	¥ 37,586	¥ 36,188	¥ 2,836	¥ (126)	¥ (4,210)	¥ 108,274	—	¥ 108,274
Reclassified balance as of March 31, 2006 (Note 2.j)	—	—	—	—	—	—	—	—	—	**¥ 250**	**250**
Net income	—	—	—	—	**10,669**	—	—	—	**10,669**	—	**10,669**
Cash dividends, ¥32.50 per share	—	—	—	—	**(8,882)**	—	—	—	**(8,882)**	—	**(8,882)**
Bonuses to directors and corporate auditors	—	—	—	—	**(290)**	—	—	—	**(290)**	—	**(290)**
Purchase of treasury stock	—	***8,611***	—	—	—	—	—	**(5,429)**	**(5,429)**	—	**(5,429)**
Disposal of treasury stock	—	***(10)***	—	**(2)**	—	—	—	**5**	**3**	—	**3**
Net change in the year	—	—	—	—	—	**(678)**	**5**	—	**(673)**	**(24)**	**(697)**
Balance as of March 31, 2007	***285,582***	***20,117***	**¥ 36,000**	**¥ 37,584**	**¥ 37,685**	**¥ 2,158**	**¥ (121)**	**¥ (9,634)**	**¥ 103,672**	**¥ 226**	**¥ 103,898**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital Surplus	Retained earnings	Net unrealized gain on available -for-sale securities	Foreign currency translation adjustment	Treasury stock	Total	Minority interests	Total equity
Balance as of March 31, 2006	$ 304,956	$ 318,394	$ 306,546	$ 24,022	$ (1,070)	$ (35,663)	$ 917,185	—	$ 917,185
Reclassified balance as of March 31, 2006 (Note 2.j)	—	—	—	—	—	—	—	**$ 2,124**	**2,124**
Net income	—	—	**90,377**	—	—	—	**90,377**	—	**90,377**
Cash dividends, $0.28 per share	—	—	**(75,237)**	—	—	—	**(75,237)**	—	**(75,237)**
Bonuses to directors and corporate auditors	—	—	**(2,459)**	—	—	—	**(2,459)**	—	**(2,459)**
Purchase of treasury stock	—	—	—	—	—	**(45,991)**	**(45,991)**	—	**(45,991)**
Disposal of treasury stock	—	**(18)**	—	—	—	**40**	**22**	—	**22**
Net change in the year	—	—	—	**(5,739)**	**44**	—	**(5,695)**	**(202)**	**(5,897)**
Balance as of March 31, 2007	**$ 304,956**	**$ 318,376**	**$ 319,227**	**$ 18,283**	**$ (1,026)**	**$ (81,614)**	**$ 878,202**	**$ 1,922**	**$ 880,124**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tokai Tokyo Securities Co., Ltd. and Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **18,537**	¥ 26,226	$ **157,022**
Adjustments for:			
Income taxes - paid	**(9,225)**	(150)	**(78,147)**
Depreciation and amortization	**1,596**	832	**13,520**
Provision for doubtful accounts	**11**	145	**93**
Provision for retirement benefits	**34**	165	**290**
Provision for statutory reserves	**(0)**	166	**(1)**
Gains on sale of investment securities	**(39)**	(751)	**(327)**
Losses on disposal of fixed assets	**115**	115	**973**
Losses on sale of fixed assets	**0**	221	**2**
Losses on impairment of fixed assets	**—**	3,936	**—**
Losses on devaluation of investment securities	**34**	24	**285**
Gain on contribution of securities to employees' retirement benefit trust	**—**	(3,168)	**—**
Changes in assets and liabilities:			
Decrease (increase) in receivables	**25,145**	(70,161)	**213,009**
(Decrease) increase in payables	**(37,666)**	36,012	**(319,064)**
Trading assets and liablities	**(9,142)**	(20,611)	**(77,446)**
Collateralized short-term financing agreements	**(11,421)**	(3,317)	**(96,746)**
Others, net	**4,057**	(4,254)	**34,363**
Total adjustments	**(36,501)**	(60,796)	**(309,196)**
Net cash used in operating activities	**(17,964)**	(34,570)	**(152,174)**
Cash flows from investing activities:			
Purchase of property and equipment	**(2,022)**	(816)	**(17,129)**
Proceeds from sale of property and equipment	**0**	45	**1**
Purchase of investment securities	**(1,373)**	(1,945)	**(11,629)**
Proceeds from sale of investment securities	**134**	1,664	**1,130**
Others, net	**(2,042)**	(1,167)	**(17,295)**
Net cash used in investing activities	**(5,303)**	(2,219)	**(44,922)**
Cash flows from financing activities:			
Increase in short-term borrowings - net	**31,953**	39,584	**270,677**
Proceeds from long-term borrowings	**150**	—	**1,271**
Proceeds from commercial paper	**112,700**	19,000	**954,680**
Redemption of commercial paper	**(105,100)**	(8,500)	**(890,301)**
Purchase of treasury stock	**(5,429)**	(1,671)	**(45,991)**
Disposal of treasury stock	**3**	86	**23**
Dividends paid	**(8,887)**	(2,767)	**(75,277)**
Net cash provided by financing activities	**25,390**	45,732	**215,082**
Foreign currency translation adjustments on cash and cash equivalents	**8**	112	**73**
Net increase in cash and cash equivalents	**2,131**	9,055	**18,059**
Cash and cash equivalents at the beginning of year	**35,522**	26,467	**300,903**
Cash and cash equivalents at the end of year (Note 3)	¥ **37,653**	¥ 35,522	$ **318,962**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokai Tokyo Securities Co,. Ltd. and Subsidiaries

Years ended March 31, 2007 and 2006

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared by Tokai Tokyo Securities Co., Ltd. (herein after referred to as the "Company") and its subsidiaries (together with the Company, herein after referred to as the "Group") in accordance with the provisions set forth in Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued in Japan in order to present them in a form which is more familiar to readers 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. In addition, certain amounts in the 2006 financial statements and notes have been reclassified to conform with the 2007 presentation.

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 30, 2007, which was ¥118.05 to US$1. The amounts in yen are directly converted into U.S. dollar amounts even for the amounts presented only in millions of yen in the financial statements. As such, there are cases that the conversion of the amounts in millions of yen with the prevailing exchange rate are different from those in U.S. dollars shown in the financial statements. The translation should not be construed as a representation that the yen amounts have been, could have been or could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

a. Principles of consolidation

The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its ten (six in 2006) subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these entities, the effect on the accompanying consolidated financial statements would not be material.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiaries at the date of acquisition is recognized as negative goodwill and amortized, using the straight-line method over a period of five years.

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

b. Cash and cash equivalents

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 with original maturities of three months or less.

c. Financial instruments

The purpose of trading activities is to make profits or reduce losses from the short-term volatility and arbitrage between markets in stock prices, interest rates, foreign exchange rates and other market indices. The scope of trading activities is mainly consisted of the following:

a) Buying and selling of securities
b) Futures, such as securities index futures
c) Securities options
d) Foreign securities futures

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

Other securities are held for non-trading purposes as available-for-sale and classified as investment securities. Available-for-sale 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 "Net unrealized gain on available-for-sale securities" in "Equity" on the consolidated balance sheets. Available-for-sale securities without a market quotation are stated at cost as determined by the moving average or are stated at amortized cost. Where available-for-sales 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 income for the period.

d. Property and equipment

Property and equipment are stated at cost. Depreciation of tangible fixed assets is calculated based on the declining-balance method. However, buildings (excluding leasehold improvements) acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 1998 are depreciated by using the straight-line method. The estimated useful lives of tangible fixed assets are mainly as follows.

Buildings	2-50 years
Fixtures and furniture	2-20 years

e. Long-lived assets

In August 2002, the Business Accounting Council (“BAC”) issued a Statement of Opinion, “Accounting for Impairment of Fixed Assets”, and in October 2003 the ASBJ issued ASBJ Guidance No. 6, “Guidance for Accounting Standard for Impairment of Fixed Assets”. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

f. Intangible fixed assets

Amortization of intangible fixed assets is calculated by the straight-line method. Software for internal use is amortized by the straight-line method over its economic useful life.

g. Retirement benefits

Liability for retirement benefits is provided for by the Company and its domestic consolidated subsidiaries based on projected benefit obligations and plan assets at the end of the fiscal year. Any actuarial differences are amortized by the straight-line method over ten years within the average of employees' remaining service period, starting in the fiscal year following the occurrence of such differences.

Retirement benefits to directors and corporate auditors are provided for at the estimated amounts based on internal rules that the Company and its domestic consolidated subsidiaries would be obliged to pay to directors and corporate auditors if all directors and corporate auditors retired at the balance sheet date.

h. Statutory reserves

Japanese Securities and Exchange Law and its related regulations require a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions. The amounts of the reserves to be maintained are determined by the formula stipulated in those laws.

i. Stock Options

On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006. There was no effect of adoption of this accounting standard for the year ended March 31, 2007.

j. Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

k. Accounting for leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

l. Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, “Accounting Treatment for Bonuses to Directors and Corporate Auditors”, which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company and domestic subsidiaries adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007, by ¥ 219 million ($ 1,857 thousand).

m. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Appropriation of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

o. Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

p. Foreign currency financial statements

The balance sheet and statement of income accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

q. Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective year including dividends to be paid after the end of the year.

r. New accounting pronouncements

***Lease Accounting*—**On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—**Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill

(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Cash and Cash Equivalents

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, 2007 and 2006 is presented as follows:

	(Millions of yen)				(Thousands of U.S. dollars)	
		2007		2006		**2007**
Cash and time deposits	¥	**38,676**	¥	36,458	$	**327,626**
Time deposits with maturity of over 3 months		**(1,023)**		(936)		**(8,664)**
Cash and cash equivalents	¥	**37,653**	¥	35,522	$	**318,962**

4. Trading assets and liabilities

Trading assets and liabilities are recorded at fair value with unrealized gains and losses recognized currently as “Net gain on trading” 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 as assets or liabilities.

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.

(1) Trading assets and liabilities as of March 31, 2007 and 2006 consisted of the following:

	(Millions of yen)				(Thousands of U.S. dollars)	
		2007		2006		**2007**
Trading assets:						
Equity and warrants	¥	**28,092**	¥	27,797	$	**237,965**
Bonds		**131,975**		150,756		**1,117,953**
Beneficiary certificates of investment trust		**5,017**		4,119		**42,499**
Derivatives		**518**		246		**4,390**
Others		**381**		354		**3,231**
Total	¥	**165,983**	¥	183,272	$	**1,406,038**
Trading liabilities:						
Equity and warrants	¥	**23,184**	¥	18,775	$	**196,392**
Bonds		**95,453**		126,207		**808,581**
Derivatives		**340**		327		**2,883**
Total	¥	**118,977**	¥	145,309	$	**1,007,856**

(2) Notional amounts and market value of derivatives as of March 31, 2007 and 2006 were as follows:

(Millions of yen)

	2007		2006	
	Notional amount	**Market value**	Notional amount	Market value
Assets:				
Options	**¥ 50,633**	**¥ 463**	¥ 20,548	¥ 171
Foreign exchange forward	**-**	**-**	-	-
Futures and forwards	**13,390**	**55**	6,731	75
Foreign exchange margin trading	**-**	**-**	-	-
Liabilities:				
Options	**¥ 75,666**	**¥ 256**	¥ 40,688	¥ 81
Foreign exchange forward	**3,717**	**7**	2,573	6
Futures and forwards	**12,293**	**77**	27,938	240
Foreign exchange margin trading	**141**	**0**	-	-

(Thousands of U.S. dollars)

	2007	
	Notional amount	**Market value**
Assets:		
Options	**$ 428,912**	**$ 3,923**
Foreign exchange forward	**-**	**-**
Futures and forwards	**113,430**	**467**
Foreign exchange margin trading	**-**	**-**
Liabilities:		
Options	**$ 640,962**	**$ 2,172**
Foreign exchange forward	**31,488**	**62**
Futures and forwards	**104,133**	**649**
Foreign exchange margin trading	**1,198**	**0**

(3) Trading activities

(a) Details of trading

There are three types of financial instruments that the Company trades in: (a) securities such as stocks and bonds; (b) derivatives traded on exchanges, such as futures and options based on stock price indices, and futures and options based on bonds; and (c) derivatives traded on outside exchanges, such as foreign exchange forward contracts, bonds with options and OTC securities options.

(b) Trading policy and purpose of use

The Company's basic policy on trading operations is to provide clients with appropriate information services and products that meet their diversified needs, through exchange transactions or transactions on outside exchanges. In exchange transactions, the Company aims to help strengthen sound market functions and to smoothly execute on-commission trades. Meanwhile, in transactions on outside exchanges, the Company intends to form fair prices and smoothen the circulation of money. The Company also makes every effort to earn profits through transactions capitalizing on: short-term fluctuations in various prices on securities markets such as exchanges, interest rates, foreign exchange rates, and other indices; and arbitrage between markets. At the same time, the Company is striving to reduce losses from these transactions.

(c) Details of risks related to trading

The principle risks that occur in relation to trading operations that materially affect the Company's financial conditions are market risks and credit risks. Market risk relates to changes in the market values of stocks, interest rates and exchange rates, while credit risk is the risk that business partners may fail to fulfill contractual obligations.

(d) Risk management system related to trading

Securities operations basically involve market risks. However, such risks have become complicated and diverse with the diversification of financial products such as derivatives. Hence, the Company regards risk management as being extremely important.

Risk management essentially aims to adequately control risks in a way that suits the Company's financial conditions. Based on the management policies and budget that are formulated at the beginning of the fiscal year, the Company sets risk limits, position limits and loss-cut rules.

Under such system, the risk management department, which became independent from the trading section, calculates risks, positions and profits and losses on a daily basis so that risks may be controlled. At the same time, these matters are reported to the manager and related departments every day. The Company also hold a "Risk Management Committee" once a month to deliberate and report on details of the risk management.

5. Investment securities

Investment securities as of March 31, 2007 and 2006 consisted of the following:

(Millions of yen)

	2007			2006		
	Acquisition cost	**Balance sheets**	**Difference**	Acquisition cost	Balance sheets	Difference
Securities with market value that exceed acquisition cost:	**¥ 4,142**	**¥ 7,804**	**¥ 3,662**	¥ 5,007	¥ 9,391	¥ 4,384
Stocks	**4,060**	**7,719**	**3,659**	4,874	9,256	4,382
Others	**82**	**85**	**3**	133	135	2
Securities with market value that do not exceed acquisition cost:	**2,121**	**1,644**	**(477)**	1,012	893	(119)
Stocks	**2,061**	**1,588**	**(473)**	1,002	883	(119)
Bonds	**10**	**10**	**(0)**	10	10	(0)
Governmental/municipal bonds	**10**	**10**	**(0)**	10	10	(0)
Others	**50**	**46**	**(4)**	-	-	-
	¥ 6,263	**¥ 9,448**	**¥ 3,185**	¥ 6,019	¥ 10,284	¥ 4,265
Without market value:						
Stocks (non-listed)		**¥ 2,745**			¥ 2,482	
Bonds (non-listed)		**300**			100	
Others		**1,094**			467	
		4,139			3,049	
Total		**¥ 13,587**			¥ 13,333	

(Thousands of U.S. dollars)

	2007		
	Acquisition cost	**Balance sheets**	**Difference**
Securities with market value that exceed acquisition cost:	**$ 35,087**	**$ 66,107**	**$ 31,020**
Stocks	**34,389**	**65,383**	**30,995**
Others	**698**	**724**	**25**
Securities with market value that do not exceed acquisition cost:	**17,971**	**13,929**	**(4,042)**
Stocks	**17,460**	**13,456**	**(4,004)**
Bonds	**85**	**83**	**(2)**
Governmental/municipal bonds	**85**	**83**	**(2)**
Others	**426**	**390**	**(36)**
	$ 53,058	**$ 80,036**	**$ 26,978**
Without market value:			
Stocks (non-listed)		**$ 23,254**	
Bonds (non-listed)		**2,541**	
Others		**9,264**	
		$ 35,059	
Total		**$ 115,095**	

Investments in affiliates included in “Investment securities” are ¥1,122 million ($9,500 thousand).

The proceeds from sales of, and gross realized gain and loss on, investment securities for the years ended March 31, 2007 and 2006 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Proceeds from sales	**¥ 134**	¥ 1,664	**$ 1,130**
Gross realized gains	**43**	787	**365**
Gross realized losses	**(4)**	(36)	**(38)**

Money in trust (money in trust, other than that for trading purposes) as of March 31, 2007 and 2006 consisted of the following:

	(Millions of yen)					
	2007			2006		
	Acquisition cost	**Balance sheets**	**Difference**	Acquisition cost	Balance sheets	Difference
Other money in trust	**¥ 3,999**	**¥ 3,998**	**¥ (1)**	¥ -	¥ -	¥ -

	(Thousands of U.S. dollars)		
	2007		
	Acquisition cost	**Balance sheets**	**Difference**
Other money in trust	**$ 33,873**	**$ 33,867**	**$ (6)**

6. Borrowings

Borrowings as of March 31, 2007 and 2006 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Weighted average interest rate)
	2007	2006	**2007**	**2007**
Short-term borrowings:				
Call money	**¥ 15,000**	-	**$ 127,065**	
Borrowings from financial institutions	**91,098**	¥ 72,290	**771,690**	
Borrowings from securities finance companies	**1,630**	2,430	**13,808**	
Borrowings from others	**-**	350	**-**	
Total	**¥ 107,728**	¥ 75,770	**$ 912,563**	**0.84%**
Commercial paper	**¥ 18,100**	¥ 10,500	**$ 153,325**	**0.64 ~ 0.78%**
Long-term borrowings				
Borrowings from financial institutions	**¥ 150**	**¥** -	**$ 1,271**	**2.5%**
Total borrowings	**¥ 125,978**	¥ 86,270	**$ 1,067,159**	

The aggregate annual maturities of long-term borrowings as of March 31, 2007 are as follows:

Year Ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
	2007	**2007**
2009	**¥ 150**	**$ 1,271**
Total	**¥ 150**	**$ 1,271**

7. Assets pledged as collateral

(1) Assets pledged as collateral for borrowings as of March 31, 2007 and 2006 were summarized as follows:

(Millions of yen)

2007	Obligations secured by pledged assets	Pledged assets: Trading securities	Pledged assets: Total
Short-term borrowings	**¥ 57,830**	**¥ 62,949**	**¥ 62,949**
Borrowing for margin transaction	**31,013**	**-**	**-**
Deposits received for securities loaned	**50,106**	**35,403**	**35,403**
Securities sold under repurchase agreements	**28,305**	**28,257**	**28,257**
Total	**¥ 167,254**	**¥ 126,609**	**¥ 126,609**

(Millions of yen)

2006	Obligations secured by pledged assets	Pledged assets: Cash and time deposits	Pledged assets: Trading securities	Pledged assets: Investment securities	Pledged assets: Total
Short-term borrowings	¥ 41,380	¥ 50	¥ 43,141	¥ 723	¥ 43,914
Borrowing for margin transaction	66,491	-	-	-	-
Deposits received for securities loaned	143,146	-	87,268	-	87,268
Securities sold under repurchase agreements	15,492	-	16,000	-	16,000
Total	¥ 266,509	¥ 50	¥ 146,409	¥ 723	¥ 147,182

(Thousands of U.S. dollars)

2007	Obligations secured by pledged assets	Pledged assets: Trading securities	Pledged assets: Total
Short-term borrowings	**$ 489,877**	**$ 533,239**	**$ 533,239**
Borrowing for margin transaction	**262,711**	**-**	**-**
Deposits received for securities loaned	**424,446**	**299,901**	**299,901**
Securities sold under repurchase agreements	**239,769**	**239,360**	**239,360**
Total	**$ 1,416,803**	**$ 1,072,500**	**$ 1,072,500**

(*1) In addition to the above, the followings are pledged as collateral to the above obligations.

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Stocks received as collateral from customers under self-financing margin transactions	**¥ 9,652**	¥ 13,451	**$ 81,765**
Stocks received as collateral from customers for securities borrowed	**14,589**	54,936	**123,579**

(*2) The following assets are pledged as initial margin for futures transactions.

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Cash in banks	**¥ 300**	¥ 300	**$ 2,541**
Trading securities	**11**	10	**89**
Property and equipment	**301**	296	**2,549**
Investment securities	**2,802**	300	**23,733**
Stocks received from self-financing on margin transactions	**4,438**	3,488	**37,593**

(2) The fair value of securities pledged and received as collateral at March 31, 2007 and 2006 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Pledged Securities:			
Securities loaned to customers for margin transactions	**¥ 3,468**	¥ 3,447	**$ 29,376**
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transactions	**30,919**	68,474	**261,912**
Securities loaned for collateralized short-term financing agreements	**49,992**	142,204	**423,480**
Securities pledged related to securities sold under repurchase agreements	**28,256**	16,000	**239,360**
Securities pledged as collateral for short-term guarantee	**24,830**	38,518	**210,338**
Securities pledged as collateral for long-term guarantee	**14**	124	**117**
Received Securities:			
Securities received from customers for loans under margin transactions	**¥ 102,026**	¥ 136,815	**$ 864,263**
Securities borrowed from finance companies or securities exchange brokers for margin transactions	**11,364**	6,230	**96,266**
Short-term securities borrowed	**143,174**	209,128	**1,212,824**
Securities received as collateral for short-term guarantee	**70,773**	71,095	**599,520**
Securities received as collateral for long-term guarantee	**-**	21	**-**
Others	**1,086**	2,069	**9,203**

8. Retirement benefits

The Company and its domestic subsidiaries adopt the qualified retirement annuity plan in the form of a defined benefit plan. There are some cases in which extra retirement benefits are paid to employees when they retire. The Company set up a retirement benefit trust in June 2005.

In March 2006, the comprehensive Securities Companies' Welfare Pension Fund, which administered the Company's employee pension fund program was dissolved. Hence, in place of the aforementioned employee pension fund program, the Company introduced a defined-contribution pension plan in January 2006. In addition, retirement benefits to directors and corporate auditors of ¥405 million ($3,431 thousand) and ¥401 million were included in "Liability for retirement benefits" on the consolidated balance sheets as of March 31, 2007 and 2006, respectively.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Group as of March 31, 2007 and 2006:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Projected benefit obligations	**¥ (9,749)**	¥ (9,499)	**$ (82,588)**
Plan assets including benefit trusts	**9,717**	10,568	**82,317**
Unfunded retirement benefit obligation	**(32)**	1,069	**(271)**
Unrecognized net actuarial differences	**(495)**	(1,666)	**(4,190)**
Net amounts reported in the consolidated balance sheets	**(527)**	(597)	**(4,461)**
Prepaid pension and severance costs	**153**	53	**1,300**
Liability for retirement benefits	**¥ (680)**	¥ (650)	**$ (5,761)**

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 were outlined as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Service cost	**¥ 631**	¥ 612	**$ 5,340**
Interest cost	**177**	172	**1,499**
Expected return on plan assets	**(122)**	(68)	**(1,031)**
Amortization of actuarial differences	**(76)**	211	**(644)**
Net periodic expense	**¥ 610**	¥ 927	**$ 5,164**
Contribution to defined contribution benefit plan	**157**	25	**1,334**
Total	**¥ 767**	¥ 952	**$ 6,498**

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rates	**2.00%**	2.00%
Expected rate of return on plan assets	**2.00%**	2.00%

9. Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Stock option

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	5 directors 11 officers 135 employees 14 directors and advisors of subsidiaries	1,770,000 shares	May 8, 2003	¥ 126 ($ 1.07)	From July 1, 2004 To June 30, 2007

The stock option activity is as follows:

	2003 Stock Option
	(Shares)
For the year ended March 31, 2007	
Non-vested	
March 31, 2006 – Outstanding	-
Granted	-
Canceled	-
Vested	-
March 31, 2007 – Outstanding	-
Vested	
March 31, 2006 - Outstanding	47,000
Vested	-
Exercised	(7,000)
Canceled	-
March 31, 2007 – Outstanding	40,000
Exercise price	¥ 126 ($ 1.07)
Average stock price at exercise	¥ 636 ($ 5.39)
Fair value price at grant date	-

11. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets:			
Retirement benefits	**¥ 1,758**	¥ 1,786	**$ 14,896**
Allowance for doubtful accounts	**293**	332	**2,484**
Loss on devaluation of investment securities	**566**	566	**4,795**
Loss on impairment of fixed assets	**1,491**	1,511	**12,627**
Statutory reserves	**401**	401	**3,394**
Retirement benefits to directors and corporate auditors	**161**	159	**1,365**
Employees' bonuses	**1,633**	1,797	**13,837**
Enterprise tax payable	**425**	612	**3,597**
Others	**893**	876	**7,563**
Sub total	**7,621**	8,040	**64,558**
Tax loss carried forward	**177**	88	**1,504**
Deferred tax assets	**7,798**	8,128	**66,062**
Valuation allowance	**(3,705)**	(3,577)	**(31,388)**
Total deferred tax assets	**¥ 4,093**	¥ 4,551	**$ 34,674**
Deferred tax liabilities:			
Gain on contribution of securities to employee retirement benefit trust	**¥ 1,253**	¥ 1,253	**$ 10,615**
Net unrealized gain on available-for-sale securities	**1,054**	1,452	**8,924**
Others	**84**	9	**716**
Deferred tax liabilities	**2,391**	2,714	**20,255**
Valuation allowance	**(1)**	(1)	**(1)**
Total deferred tax liabilities	**¥ 2,390**	¥ 2,713	**$ 20,254**
Net deferred tax assets	**¥ 1,703**	¥ 1,838	**$ 14,420**

Reconciliations between the effective income tax rate reflected in the accompanying consolidated statements of income and the effective statutory tax rate for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Effective statutory tax rate	**39.55%**	39.55%
Increase (decrease) due to:		
Permanent non-deductible items	**0.98**	0.16
Utilization of tax loss carried forward	**-**	(19.94)
Inhabitants tax per capita levy	**0.43**	0.32
Valuation allowance	**0.69**	(4.58)
Others, net	**0.66**	0.04
Effective income tax rate	**42.31%**	15.55%

12. Lease transactions

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

(1) Acquisition cost, accumulated depreciation and net book value

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	2007
Acquisition cost	**¥ 417**	¥ 590	**$ 3,528**
Accumulated depreciation	**226**	363	**1,912**
Net book value at year end	**¥ 191**	¥ 227	**$ 1,616**

(2) Future lease payments

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	2007
Due in one year or less	**¥ 82**	¥ 100	**$ 695**
Due after one year	**120**	138	**1,016**
Total	**¥ 202**	¥ 238	**$ 1,711**

(3) Lease expenses, depreciation and interest expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	2007
Lease payment	**¥ 120**	¥ 290	**$ 1,013**
Depreciation	**107**	262	**906**
Interest expense	**13**	16	**106**

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

13. Commitments and contingent liabilities

There were no commitments as of March 31, 2007 that would have an adverse effect on the consolidated financial position or results of operation of the Company.

Contingent liabilities as of March 31, 2007 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for employees' borrowings from a financial institution	¥ 53	$ 445

14. Commissions

Commissions earned for the years ended March 31, 2007 and 2006 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Brokerage	**¥ 24,956**	¥ 37,168	**$ 211,404**
Underwriting and distribution	**14,043**	9,986	**118,958**
Others	**8,424**	5,956	**71,356**
Total	**¥ 47,423**	¥ 53,110	**$ 401,718**

15. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Employees' compensation and benefits	**¥ 25,437**	¥ 27,670	**$ 215,479**
Brokerage and other commissions	**2,210**	2,073	**18,718**
Communication and transportation	**2,611**	2,327	**22,122**
Real estate expenses	**5,461**	5,074	**46,262**
Data processing and office supplies	**3,524**	3,200	**29,852**
Taxes other than income taxes	**501**	597	**4,241**
Depreciation	**761**	543	**6,444**
Amortization	**835**	290	**7,076**
Others	**3,063**	2,499	**25,944**
Total	**¥ 44,403**	¥ 44,273	**$ 376,138**

16. Other income and expenses

The components of "Others, net" in the consolidated statements of income for the years ended March 31, 2007 and 2006 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2006	**2007**
Dividend income	**¥ 243**	¥ 182	**$ 2,058**
Rent income	**229**	223	**1,940**
Net gain on sales and write-down of investment securities	**5**	727	**43**
Gain on contribution of securities to employees' retirement benefit trust	**-**	3,168	**-**
Losses from sale of fixed assets	**(0)**	(221)	**(2)**
Losses on disposal of fixed assets	**(115)**	(115)	**(973)**
Losses on impairment of fixed assets	**-**	(3,936)	**-**
Others (*)	**177**	(346)	**1,498**
Total	**¥ 539**	¥ (318)	**$ 4,564**

(*) Amortization of negative goodwill amounting to ¥112 million ($948 thousand) for the year ended March 31, 2007 is included in "Others".

17. Per share information

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2007 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders......	¥ 10,669	269,064	¥39.65	$ 0.34
Effect of Dilutive Securities				
Stock options..	-	37		
Diluted EPS				
Net income for computation..................................	¥ 10,669	269,101	¥39.65	$ 0.34

18. Subsequent event

On June 28, 2007, the shareholders authorized the appropriation of retained earnings as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥10.0＝$0.085 per share)	¥ 2,655	$ 22,488

19. Segment information

(1) Segment information by type of business

The Group conducts worldwide business activities, centering on securities transactions, such as: (a) securities trading; (b) acting as an agency to entrust agents with on-commission trading of securities; (c) underwriting and offering securities; (d) dealing in securities subscription and offering; and (e) handling transactions of securities private placement. The above business activities involve provision of financial and other services, and the Group earns profits through marketing activities that are integrated with these services. Hence, the Group’s business segment belongs only to the “investment and financial service business.”

(2) Geographical segment information

Geographical segment information for the years ended March 31, 2007 and 2006 has been omitted because the “Japan” segment accounted for more than 90% of both total consolidated net sales and total assets.

(3) Overseas sales (revenues)

Overseas sales for the years ended March 31, 2007 and 2006 have been omitted because they accounted for less than 10% of consolidated net sales.

Company Information

Corporate Directory (as of June 28, 2007)

Registered Corporate Name	Tokai Tokyo Shoken Kabushiki Kaisha
English Name	Tokai Tokyo Securities Co., Ltd.
Head Office	7-1, Kyobashi 1-chome, Chuo-ku,Tokyo 104-8317, Japan Tel: +81-3-3566-8811 (General Inquiries) Fax: +81-3-3566-8717
(Nagoya Main Office)	7-1, Meieki 4-chome, Nakamura-ku,Nagoya 450-6212, Japan Tel: +81-52-527-1111 Fax: +81-52-527-1195
(Osaka Office)	7-1, Dosyo-machi 1-chome, Chuo-ku,Osaka 541-0045, Japan Tel: +81-6-6231-9251 Fax: +81-6-6231-9067
Date Established	June 19, 1929
Paid-in Capital	¥36,000,000,000
Total Outstanding Shares	285,582,115 shares
Total Employees	2,038 (as of March 31, 2007)
Number of Branches	74

Board of Directors and Statutory Auditors (as of June 28, 2007)

Directors	Tateaki Ishida, President & CEO
	Tadashi Kaneko, Representative Director & Managing Executive Officer
	Takashi Matsunaga, Director & Senior Executive Officer
	Yoshimi Maemura, Director & Senior Executive Officer
	Yasuo Takamatsu, Director & Senior Executive Officer
	Shingo Ichihara, Director
	Ikuo Suzuki, Director
Statutory Auditors	Syuji Murase
	Kazue Kobayashi
	Akira Nishigaki
	Yukimasa Iwamoto
	Nobuhiro Morisue

Subsidiary And Affiliates (as of June 28, 2007)

Overseas Subsidiary	Tokai Tokyo Securities (Asia) LTD. Suite 1119, Jardine House,1 Connaught Place, Hong Kong Tel: +852-2810-0822 Fax: +852-2810-0394
	Tokai Tokyo Securities Europe Limited 4th Floor, City Tower, 40 Basinghall Street,London EC2V 5DE, United Kingdom Tel: +44-207-070-4600 Fax: +44-207-070-4649
Domestic Affiliates	Utsunomiya Securities Co., Ltd.
	Tokai Tokyo Research Center Co., Ltd.
	Tokai Tokyo Services Co., Ltd.
	Tokai Tokyo Investment Management Co., Ltd.
	Tokai Tokyo Finance & Real Estate Co., Ltd
	Tokai Tokyo Investment Co., Ltd
	Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.

Major Shareholders (As of March 31, 2007)

Shareholder name	Ratio of Voting Rights
Mitsui Sumitomo Insurance Co., Ltd.	10.74%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.98
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.40
Meiji Yasuda Life Insurance Company	1.88
The Chuo Mitsui Trust and Banking Company, Ltd.	1.81
Japan Trustee Services Bank, Ltd. (Trust Account 4)	1.48
State Street Bank and Trust Company	1.32
Japan Trustee Services Bank, Ltd. (Trust Account for The Sumitomo Trust and Banking Co., Ltd. retirement benefit trust account for Toyota Motor Corporation)	1.30
The Chukyo Bank, Ltd.	1.23

Website: http://www.tokaitokyo.co.jp

Profile of the Company

Company name etc.:	Tokai Tokyo Securities Co., Ltd., Financial products trading business, Head of Kanto Local Finance Bureau (Financial Products) No. 118
Memberships:	Japan Securities Dealers Association, The Investment Trusts Association, Japan, The Financial Futures Association of Japan

When investing in financial products, you may be required to pay a prescribed commission. Please also be advised that investments may produce losses as a result of changes in price or other factors.

Each product has different commissions and risks. We advise you to carefully read the documentation that you will receive prior to entering into any investment agreement.