ANNUAL REPORT 2008
For the Fiscal Year Ended March 31, 2008

TOKAI TOKYO SECURITIES ANNUAL REPORT 2008

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 its ultimate goal, the “Premier House”.

The Company has a network of 74 branches (as of June 27, 2008) 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.

Contents

Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total revenues	¥ 63,152	¥ 63,766	$ 630,326
Operating income	14,073	17,998	140,468
Net income	9,025	10,669	90,080
Total assets	497,250	525,822	4,963,072
Total equity	106,482	103,898	1,062,799
Per share of common stock	yen		U.S. dollars
Basic net income	¥ 34.00	¥ 39.65	$ 0.34
Cash dividends applicable to the year	15.00	17.50	0.15

Note: U.S. dollar amounts are translated for convenience only at the rate of ¥100.19=U.S.$1.00.

To Our Shareholders

Building Blocks—Setting the stage for a new level of advanced performance

Message to Shareholders

Although last year was a less than satisfactory year for performance, Tokai Tokyo Securities actually made great progress in establishing a base from which to make a strong surge in the market as planned in the final year of our three-year management plan. We have laid the building blocks and developed the critical mass necessary to create a unique position for Tokai Tokyo Securities in the market under the concept of Super Community House. The signs of our success in this endeavor are emerging not only in our performance, but also in brand recognition. Not only do we have more investors knocking on our door these days, but the numbers of young school graduates interested in joining our Group has increased by two or three times. I expect many more signs to appear in the fiscal year ahead, and look forward to sharing the excitement of being able to operate on a new and advanced level with our shareholders.

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.

The fiscal year under review was the second year of the plan, in which we sought to solidify the reforms begun in the first year and set the stage to reap the benefits from those reforms in the final year of the plan. In our corporate governance initiatives, we continued to build and strengthen our internal control systems as well as integrating all the necessary changes to observe strict compliance with the Financial Instruments and Exchange Law and other newly introduced legislation or self-regulation requirements.

We took great strides forward in the products and services we offer, greatly expanding our retail business scope through the introduction of new products, such as wrap accounts and Brazilian ADRs, and strengthening our consulting services for such issues as inheritance and business succession. In our investment banking business, we completed the introduction of systems and staff required for the Company to originate truly sophisticated financial products. We now feel confident of earning a spot among the small but select group of Japanese investment banks.

Our first concern in reforming our networks was to establish a global information network, and during the fiscal year we added Tokai Tokyo Securities (USA), Inc., a subsidiary in New York, to our existing bases in Hong Kong and London. We also extended our network by forming a business alliance with Saigon Securities Inc., of Vietnam. We already have business alliances with major local securities companies in China and Korea, as well as business ties with leading financial institutions around the world. Domestically, we continued our regional dominance strategy by opening the Nishio Branch in an area of Aichi Prefecture where we previously had no presence.

As part of our reform of business models, we are proactively seeking out business alliances with companies in different sectors with which we can collaborate to mutual advantage. During the fiscal year we forged several business partnerships that we believe will contribute significant to our future development. Through our business alliance with Sumitomo Trust & Banking Co. Ltd., we established Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd., a joint venture to provide consulting services related to inheritance and business succession issues faced by business owners and high net-worth individuals. We have had a greater than expected response from customers regarding these services. Strategically, these new capabilities open a window of opportunity to propose solutions to clients, not only our own, but our partner's as well.

The joint establishment of YM Securities Co., Ltd., with the Yamaguchi Financial Group positions us strongly in the regional market of Chugoku and Shikoku. In accordance with our regional strategy, the joint venture has already opened three branches in the Chugoku region and has begun building a base in the market offering comprehensive financial services covering securities and banking services.

Hamagin Tokai Tokyo Securities Co., Ltd., the joint venture established with The Bank of Yokohama, Ltd., opens the door to business development in Kanagawa Prefecture in cooperation with one of the dominant players in that regional financial services market and enables us to begin building a base in the Tokyo metropolitan area.

Tateaki Ishida
President & CEO
June 2008

Management's Discussion and Analysis

Outlook

With the aftershocks from the financial crisis in the United States related to the subprime mortgage loan problem continuing and the Beijing Olympics on the horizon, it is likely that the Tokyo market will not attract any major influxes of capital from the global market. Consequently, the business climate will remain difficult, certainly for the first half. Nevertheless, there are indications that the domestic market and global markets are on the mend, and we look forward to a recovery in performance in the current fiscal year. Without a doubt, we are prepared to take advantage of any opportunities that present themselves.

In the final year of our three-year management plan, we are poised to harvest the fruits of the plan and "jump up" our level of performance. In particular, we are expecting our investment banking business to take a giant leap forward. To support its efforts, we will continue to reinforce its information and intelligence capabilities to allow the business to compete with the majors. Based on the untapped growth potential created by the first two years of our plan, we are aiming to achieve an ROE of 15% for the fiscal year ending March 2009.

Operating Review

During the fiscal year under review, the performance of Tokai Tokyo Securities Co., Ltd., was affected by the turmoil in domestic and international financial markets. Nevertheless, the Company pressed on with the goals of its three-year management plan, successfully setting the stage for the final year of the plan, in which the Company is aiming to achieve an ROE of 15% and boost its performance to an advanced level.

Consolidated Performance

In the fiscal year ended March 31, 2008, Tokai Tokyo Securities Co., Ltd., posted consolidated total revenues of ¥63,152 million, edging down 1.0% from the previous year. Profits declined further given the harsh circumstances in the industry, with operating income dropping 21.8%, to ¥14,073 million and net income falling 15.4%, to ¥9,025 million.

Although the Japanese economy remained in a mild expansionary mode during the fiscal year, with the gross domestic product achieving real growth of about 2%, a sense of stagnation mounted in domestic demand. Despite the overall growth, the economy slowed throughout most of the fiscal year under the brunt of the worldwide sweeping impact of the subprime mortgage loan problem and resulting credit crunch in the United States, a sharp decline in the Japanese stock market, skyrocketing oil and material prices, and a dramatic appreciation of the yen. These conditions spelled profit decline for most of corporate Japan, with the exception of trading companies and other businesses able to take advantage of high growth in emerging economies.

In the securities industry, companies faced a difficult situation as the Nikkei Stock Average declined from a high of 18,261 on July 9, 2007 to 11,787 on March 17, 2008. The sudden drop in overall market capitalization produced anomalies such as the average dividend yield on stocks listed in the First Section of the Tokyo Stock Exchange (TSE) exceeding the yield on 10-year benchmark Japanese government bonds (JGBs) and the price book-value ratio (PBR) of a little less than 60% of all listed stocks falling under par. Even given that most stocks were selling at a discount, it was hard to entice domestic institutional and individual investors back into the market or to fight the tide of selling by foreign investors, who pushed the average daily turnover on the TSE up to almost ¥2.9 trillion. A general uneasiness pervaded the market as domestic and international financial institutions began to announce the scope of losses related to the subprime mortgage loan problem, not to mention insider trading incidents that threw a bad light on the Japanese securities industry as a whole.

By business segment, our Retail Company's revenues edged down 1.9%, to ¥49,954 million, generating 79.1% of total revenues. Operations were growing smoothly up until the final two quarters, especially the fourth quarter. Revenues from foreign securities expanded substantially, lowering the Retail Company's dependence on Japanese markets. Although the total number of client accounts remained approximately level, at 416,155 accounts, in the face of a declining market, the proportion of non-mass-market individual investors improved slightly during the fiscal year under review.

Revenues of the Investment Banking Company rose 8.3%, to ¥9,995 million. In a similar story, our investment banking operations were also posting firm growth until the second half, when trading profits ground to a halt amid turbulent markets. Less market-sensitive areas, such as corporate asset management and corporate solutions, continue to make progress albeit at lower levels. Corporate accounts remained steady at 7,503. Perhaps the greatest progress made by the Investment Banking Company during the fiscal year was in its ability to originate advanced financial engineering products, due to the establishment of a derivative system and the acquisition of expert professionals in the field.
Given the dire circumstances in the second half of the fiscal year, Tokai Tokyo Securities did well to cope with the inevitable decline in its retail business and to protect itself from exposure to major losses in its investment banking business. The relatively solid performance speaks volumes for both the skill of our people and the intrinsic strength of the systems of the Company.

Commissions
In the fiscal year under review, total commissions received amounted to ¥43,532 million, declining 8.2% from the previous year. An analysis of the commissions received by category follows.

• Brokerage
On a consolidated basis, stock brokerage turnover was 3,219 million shares, contracting 18.2% from a year earlier with a value of ¥ 3,309 billion, down 18.7%. The lower volume of share trading mainly reflects a withdrawal from the market by investors, particularly individual investors, during the turmoil in domestic and global markets due to the subprime mortgage loan crisis in the United States. Overall brokerage commissions fell 21.9%, to ¥19,485 million. Equity brokerage commissions totaled ¥19,405 million, declining 22.0% from the previous fiscal year.

• Underwriting and sales
Underwriting and sales of stocks sunk 48.4%, to ¥436 million, and total issuance commissions for stocks and bonds dropped 54.0%, to ¥496 million.

• Subscription and distribution and others
Subscription and distribution commissions amounted to ¥13,117 million, edging up 1.2% from the previous year, while other commissions received advanced 23.9%, to ¥10,434 million. Investment trusts were the main contributors to this category of commissions, with subscription and distribution commissions of investment trusts edging forward 2.1%, to ¥13,059 million, while agency commissions for investment trusts rose 23.3%, to ¥6,900 million.

Trading profit and loss
Gains on trading of bonds advanced 10.1% year on year, to ¥6,814 million, supported by robust sales of foreign currency-denominated bonds and structured notes. Gains on trading of stocks climbed 15.8%, to ¥7,660 million on the strength of an excellent trading performance in foreign stocks up until the downturn in global markets in the third quarter. Consequently, trading profit, net rose 17.9% from the previous fiscal year, to ¥16,013 million.

Financial revenues and expenses
Financial revenues surged 30.6%, to ¥3,607 million due to greater interest income from margin trading accounts and from bonds. On the other hand, financial expenses were up 57.3%, to ¥2,147 million reflecting growth in interest expenses. Overall, however, the net financial revenue and expense balance was ¥1,460 million, increasing 4.5% from the previous fiscal year.

Selling, general and administrative expenses
Selling, general and administrative expenses amounted to ¥46,932 million, rising 5.7%. By expenses category, brokerage and other commissions accounted for ¥2,567 million, up 16.2%; communication and transportation were ¥3,034 million, up 16.2%; employees' compensation and benefits were ¥24,942 million, down 1.9%; real estate expenses stood at ¥5,759 million, up 5.4%; data processing and office supplies were ¥4,490 million, up 27.4%; and depreciation and amortization increased climbed 60.8%, to ¥2,566 million. The primary cause of the overall increase in SG&A expenses was the replacement of the Company's mission critical computer systems in January 2008, which resulted in higher depreciation and data and office supplies expenses.

Financial conditions
Cash flows
Cash provided by operating activities was ¥20,836 million in the fiscal year under review, compared with cash used in operating activities a year earlier. The recovery can mainly be attributed to an increase in liabilities related to trading products, margin transactions, and borrowings pledged by securities, Cash used in investing activities amounted to ¥6,096 million, increasing from ¥5,303 million in the previous fiscal year. This growth was almost entirely related to IT-related investments. Cash provided by financing activities was ¥11,055 million, declining from ¥25,390 million in the previous fiscal year due to lower borrowings. As a result, the balance of cash and cash equivalents was ¥63,485 million at the end of the fiscal year, jumping ¥25,704 million from the previous year.

Consolidated Financial Statements

Tokai Tokyo Securities Co., Ltd. and Subsidiaries

Years ended March 31, 2008 and 2007
with Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
Nagoya Daiya Building 3-goukan
13-5, Meieki 3-chome,
Nakamura-ku, Nagoya,
Aichi 450-8530, Japan

Tel: +81 (52) 565 5511
Fax: +81 (52) 569 1394
www.deloitte.com/jp

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, 2008 and 2007, and the related consolidated statements of income, changes in 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 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 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 subsidiaries as of March 31, 2008 and 2007, 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.

Our audits 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 27, 2008

Consolidated Balance Sheets

Tokai Tokyo Securities Co., Ltd. and Subsidiaries

As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
ASSETS			
Cash on hand and in banks:			
Cash and time deposits (Notes 3 and 7)	**¥ 64,708**	¥ 38,676	**$ 645,855**
Cash segregated as deposits related to securities transactions (Note 5)	**18,997**	25,396	**189,605**
	83,705	64,072	**835,460**
Collateralized short-term financing agreements			
Deposits paid for securities borrowed	**134,868**	131,251	**1,346,118**
Trading assets (Notes 4 and 7)	**173,499**	165,983	**1,731,703**
Receivables:			
Receivables from brokers, dealers and clearing organizations	**2,474**	2,599	**24,695**
Receivables from customers	**546**	5,278	**5,448**
Receivables related to margin transactions	**63,023**	118,846	**629,036**
Other	**2,780**	3,433	**27,745**
	68,823	130,156	**686,924**
Less: allowance for doubtful accounts	**(65)**	(110)	**(644)**
	68,758	130,046	**686,280**
Investment securities (Notes 5 and 7)	**9,356**	13,587	**93,382**
Deferred tax assets (Note 11)	**1,270**	2,295	**12,678**
Other assets:			
Property and equipment (Note 7)	**16,380**	15,746	**163,494**
Less: accumulated depreciation	**(5,966)**	(5,089)	**(59,548)**
	10,414	10,657	**103,946**
Lease deposits	**3,489**	3,461	**34,822**
Other	**12,577**	5,171	**125,526**
	26,480	19,289	**264,294**
Less: allowance for doubtful accounts	**(686)**	(701)	**(6,843)**
	25,794	18,588	**257,451**
Total assets	**¥ 497,250**	¥ 525,822	**$ 4,963,072**

Consolidated Balance Sheets

Tokai Tokyo Securities Co., Ltd. and Subsidiaries

As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
LIABILITIES AND EQUITY			
Borrowings:			
Short-term borrowings (Notes 6 and 7)	**¥ 123,522**	¥ 107,728	**$ 1,232,881**
Commercial paper (Note 6)	**17,400**	18,100	**173,670**
Long-term borrowings (Note 6)	**2,500**	150	**24,953**
	143,422	125,978	**1,431,504**
Trading liabilities (Note 4)	**123,171**	118,977	**1,229,376**
Collateralized short-term financing agreements:			
Deposits received for securities loaned (Note 7)	**58,159**	50,106	**580,490**
Securities sold under repurchase agreements (Note 7)	**1,598**	28,305	**15,954**
	59,757	78,411	**596,444**
Payables:			
Payables to brokers, dealers, and clearing organizations	**5,350**	19,092	**53,398**
Payables to customers	**19,558**	24,442	**195,214**
Payables related to margin transactions (Note 7)	**28,777**	34,264	**287,220**
Other	**2,722**	5,586	**27,167**
	56,407	83,384	**562,999**
Deferred tax liabilities (Note 11)	**—**	592	**—**
Accrued and other liabilities:			
Income taxes payable	**1,548**	5,584	**15,448**
Employees' bonuses	**1,901**	4,127	**18,971**
Liability for retirement benefits (Note 8)	**989**	1,085	**9,868**
Other (Note 5)	**2,560**	2,773	**25,555**
	6,998	13,569	**69,842**
Statutory reserves	**1,013**	1,013	**10,108**
Total liabilities	**390,768**	421,924	**3,900,273**
Commitments and contingent liabilities (Notes 12 and 13)			
Equity (Note 9)			
Common stock:			
authorized: 972,730,000 shares			
issued: 285,582,115 shares in 2008 and 2007	**36,000**	36,000	**359,317**
Capital surplus	**37,574**	37,584	**375,027**
Retained earnings	**42,052**	37,685	**419,724**
Net unrealized gain on available-for-sale securities	**206**	2,158	**2,059**
Foreign currency translation adjustments	**(202)**	(121)	**(2,018)**
Less: treasury stocks, at cost: 20,142,739 shares in 2008; 20,116,929 shares in 2007	**(9,655)**	(9,634)	**(96,366)**
Total	**105,975**	103,672	**1,057,743**
Minority interests	**507**	226	**5,056**
Total equity	**106,482**	103,898	**1,062,799**
Total liabilities and equity	**¥ 497,250**	¥ 525,822	**$ 4,963,072**

See notes to consolidated financial statements.

Consolidated Statements of Income

Tokai Tokyo Securities Co., Ltd. and Subsidiaries

For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Revenues:			
Commissions (Note 14)	**¥ 43,532**	¥ 47,423	**$ 434,497**
Net gain on trading	**16,013**	13,582	**159,831**
Interest and dividend income	**3,607**	2,761	**35,998**
Total revenues	**63,152**	63,766	**630,326**
Interest expense	**2,147**	1,365	**21,433**
Net revenues	**61,005**	62,401	**608,893**
Selling, general and administrative expenses (Note 15)	**46,932**	44,403	**468,425**
Operating income	**14,073**	17,998	**140,468**
Other, net (Note 16)	**1,435**	539	**14,319**
Income before income taxes and minority interests	**15,508**	18,537	**154,787**
Income taxes (Note 11):			
Current	**5,154**	7,312	**51,445**
Deferred	**1,348**	532	**13,454**
	6,502	7,844	**64,899**
Minority interests	**(19)**	24	**(192)**
Net income	**¥ 9,025**	¥ 10,669	**$ 90,080**

Per share of common stock (Notes 2.p and 17):	Yen		U.S. dollars
Basic	**¥ 34.00**	¥ 39.65	**$ 0.34**
Diluted	**34.00**	39.65	**0.34**
Cash dividends applicable to the year	**15.00**	17.50	**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, 2008 and 2007

	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 adjustments	Treasury stock	Total	Minority interests	Total equity
Balance as of April 1, 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**
Net income	—	—	—	—	**9,025**	—	—	—	**9,025**	—	**9,025**
Cash dividends, ¥17.50 per share	—	—	—	—	**(4,646)**	—	—	—	**(4,646)**	—	**(4,646)**
Purchase of treasury stock	—	***61***	—	—	—	—	—	**(38)**	**(38)**	—	**(38)**
Disposal of treasury stock	—	***(35)***	—	**(10)**	—	—	—	**17**	**7**	—	**7**
Decrease due to change in the scope of consolidated subsidiaries	—	—	—	—	**(12)**	—	—	—	**(12)**	—	**(12)**
Net change in the year	—	—	—	—	—	**(1,952)**	**(81)**	—	**(2,033)**	**281**	**(1,752)**
Balance as of March 31, 2008	***285,582***	***20,143***	**¥ 36,000**	**¥ 37,574**	**¥ 42,052**	**¥ 206**	**¥ (202)**	**¥ (9,655)**	**¥ 105,975**	**¥ 507**	**¥ 106,482**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital Surplus	Retained earnings	Net unrealized gain on available -for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance as of March 31, 2007	**$ 359,317**	**$ 375,130**	**$ 376,133**	**$ 21,542**	**$ (1,208)**	**$ (96,162)**	**$ 1,034,752**	**$ 2,264**	**$ 1,037,016**
Net income	—	—	**90,080**	—	—	—	**90,080**	—	**90,080**
Cash dividends, $0.17 per share	—	—	**(46,367)**	—	—	—	**(46,367)**	—	**(46,367)**
Purchase of treasury stock	—	—	—	—	—	**(372)**	**(372)**	—	**(372)**
Disposal of treasury stock	—	**(103)**	—	—	—	**168**	**65**	—	**65**
Decrease due to change in the scope of consolidated subsidiaries	—	—	**(122)**	—	—	—	**(122)**	—	**(122)**
Net change in the year	—	—	—	**(19,483)**	**(810)**	—	**(20,293)**	**2,792**	**(17,501)**
Balance as of March 31, 2008	**$ 359,317**	**$ 375,027**	**$ 419,724**	**$ 2,059**	**$ (2,018)**	**$ (96,366)**	**$ 1,057,743**	**$ 5,056**	**$ 1,062,799**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tokai Tokyo Securities Co., Ltd. and Subsidiaries

For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **15,508**	¥ 18,537	$ **154,787**
Adjustments for:			
Income taxes - paid	**(9,156)**	(9,225)	**(91,385)**
Depreciation and amortization	**2,566**	1,596	**25,615**
Provision for doubtful accounts	**(61)**	11	**(605)**
Provision for retirement benefits	**(96)**	34	**(963)**
Provision for statutory reserves	**0**	(0)	**0**
Gains on sale of investment securities	**(1,468)**	(39)	**(14,651)**
Losses on disposal of fixed assets	**75**	115	**754**
Net (gains) losses on sale of fixed assets	**(15)**	0	**(147)**
Losses on devaluation of investment securities	**806**	34	**8,044**
Changes in assets and liabilities:			
Decrease in receivables	**61,259**	25,145	**611,426**
Decrease in payables	**(27,416)**	(37,666)	**(273,643)**
Trading assets and liablities	**(3,323)**	(9,142)	**(33,165)**
Collateralized short-term financing agreements	**(22,269)**	(11,421)	**(222,271)**
Other, net	**4,426**	4,057	**44,168**
Total adjustments	**5,328**	(36,501)	**53,177**
Net cash provided by (used in) operating activities	**20,836**	(17,964)	**207,964**
Cash flows from investing activities:			
Purchase of property and equipment	**(1,113)**	(2,022)	**(11,105)**
Proceeds from sale of property and equipment	**47**	0	**467**
Purchase of investment securities	**(2,250)**	(1,373)	**(22,453)**
Proceeds from sale of investment securities	**3,590**	134	**35,837**
Other, net	**(6,370)**	(2,042)	**(63,588)**
Net cash used in investing activities	**(6,096)**	(5,303)	**(60,842)**
Cash flows from financing activities:			
Increase in short-term borrowings - net	**14,011**	31,953	**139,840**
Proceeds from long-term borrowings	**2,500**	150	**24,952**
Repayments of long-term borrowings	**(150)**	—	**(1,497)**
Proceeds from commercial paper	**174,400**	112,700	**1,740,693**
Redemption of commercial paper	**(175,100)**	(105,100)	**(1,747,680)**
Purchase of treasury stock	**(35)**	(5,429)	**(344)**
Disposal of treasury stock	**4**	3	**38**
Subscription money received from the minority shareholders	**74**	—	**744**
Dividends paid	**(4,649)**	(8,887)	**(46,402)**
Net cash provided by financing activities	**11,055**	25,390	**110,344**
Foreign currency translation adjustments on cash and cash equivalents	**(91)**	8	**(909)**
Net increase in cash and cash equivalents	**25,704**	2,131	**256,557**
Increase in cash and cash equivalents due to change in the scope of consolidation	**128**	—	**1,274**
Cash and cash equivalents at the beginning of year	**37,653**	35,522	**375,821**
Cash and cash equivalents at the end of year (Note 3)	¥ **63,485**	¥ 37,653	$ **633,652**

See notes to consolidated financial statements.

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 the Japanese Financial Instruments and Exchange Law (formerly, the 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.

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 2007 financial statements and notes have been reclassified to conform with the 2008 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 31, 2008, which was ¥100.19 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, 2008 include the accounts of the Company and its 14 (ten in 2007) 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.

Investment in one (nil in 2007) affiliate is accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, 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 stated 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

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

The Japanese Financial Instruments 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, derivative transactions or other related trading. The amounts of the reserves to be maintained are determined by the formula stipulated in those laws. For the current year, however, under Article 40 of the Supplementary Provision of the Japanese Financial Instruments and Exchange Law (2006 Law No.65), the amount was determined by the formula stipulated in Article 35 of the “Cabinet Office Ordinance on Securities Corporation” in accordance with Article 51 of the “Japanese Securities and Exchange Law”.

i. Stock Options

On December 27, 2005, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance. This 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.

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 or assets, as the case may be, 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 balance of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

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

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

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. 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.

o. 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.

p. 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.

q. 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. 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.

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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

***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 its foreign subsidiaries which have been 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, 2008 and 2007 is presented as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Cash and time deposits	**¥ 64,708**	¥ 38,676	**$ 645,855**
Time deposits with maturity of over three months	**(1,223)**	(1,023)	**(12,203)**
Cash and cash equivalents	**¥ 63,485**	¥ 37,653	**$ 633,652**

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, 2008 and 2007 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Trading assets:			
Equity and warrants	¥ **13,792**	¥ 28,092	$ **137,660**
Bonds	**151,089**	131,975	**1,508,028**
Beneficiary certificates of investment trust	**7,178**	5,017	**71,648**
Derivatives	**695**	518	**6,934**
Other	**745**	381	**7,433**
Total	¥ **173,499**	¥ 165,983	$ **1,731,703**
Trading liabilities:			
Equity and warrants	¥ **12,880**	¥ 23,184	$ **128,556**
Bonds	**109,735**	95,453	**1,095,270**
Derivatives	**556**	340	**5,550**
Total	¥ **123,171**	¥ 118,977	$ **1,229,376**

(2) Notional amounts and market value of derivatives as of March 31, 2008 and 2007 were as follows:

	(Millions of yen)			
	2008		2007	
	Notional amount	**Market value**	Notional amount	Market value
Assets:				
Options	**¥ 200,633**	**¥ 315**	¥ 50,633	¥ 463
Futures and forwards	**3,965**	**34**	13,390	55
Swaps	**4,912**	**298**	-	-
Foreign exchange margin trading	**792**	**48**	-	-
Liabilities:				
Options	**¥ 140,575**	**¥ 134**	¥ 75,666	¥ 256
Foreign exchange forward	**9,221**	**10**	3,717	7
Futures and forwards	**6,311**	**4**	12,293	77
Swaps	**61,029**	**408**	-	-
Foreign exchange margin trading	-	-	141	0

	(Thousands of U.S. dollars)	
	2008	
	Notional amount	**Market value**
Assets:		
Options	**$ 2,002,524**	**$ 3,146**
Futures and forwards	**39,571**	**334**
Swaps	**49,028**	**2,978**
Foreign exchange margin trading	**7,905**	**476**
Liabilities:		
Options	**$ 1,403,079**	**$ 1,335**
Foreign exchange forward	**92,033**	**98**
Futures and forwards	**62,993**	**37**
Swaps	**609,132**	**4,080**

(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

Financial instruments trading businesses 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. Securities and derivatives other than that for trading purposes

Investment securities as of March 31, 2008 and 2007 consisted of the following:

(Millions of yen)

	2008			2007		
	Acquisition cost	**Balance sheets**	**Difference**	Acquisition cost	Balance sheets	Difference
Available –for-sale Securities						
Securities with market value that exceed acquisition cost:	**¥ 1,993**	**¥ 2,913**	**¥ 920**	¥ 4,142	¥ 7,804	¥ 3,662
Stocks	**1,993**	**2,913**	**920**	4,060	7,719	3,659
Other	-	-	-	82	85	3
Securities with market value that do not exceed acquisition cost:	**3,284**	**2,726**	**(558)**	2,121	1,644	(477)
Stocks	**3,274**	**2,716**	**(558)**	2,061	1,588	(473)
Bonds	**10**	**10**	**(0)**	10	10	(0)
Governmental/municipal bonds	**10**	**10**	**(0)**	10	10	(0)
Other	-	-	-	50	46	(4)
	¥ 5,277	**¥ 5,639**	**¥ 362**	¥ 6,263	¥ 9,448	¥ 3,185
Without market value:						
Stocks (non-listed)		**¥ 2,733**			¥ 2,745	
Other		**285**			272	
		3,018			3,017	
Sub total		**¥ 8,657**			¥ 12,465	
Investments in affiliates						
Without market value:						
Stocks (non-listed)		**¥ 699**			¥ -	
Bonds (non-listed)		**-**			300	
Other		**-**			822	
Sub total		**¥ 699**			¥ 1,122	
Total		**¥ 9,356**			¥ 13,587	

	(Thousands of U.S. dollars)		
	2008		
	Acquisition cost	**Balance sheets**	**Difference**
Available –for-sale Securities:			
Securities with market value that			
exceed acquisition cost:	**$ 19,890**	**$ 29,077**	**$ 9,187**
Stocks	**19,890**	**29,077**	**9,187**
Securities with market value that			
do not exceed acquisition cost:	**32,784**	**27,208**	**(5,576)**
Stocks	**32,684**	**27,108**	**(5,576)**
Bonds:	**100**	**100**	**(0)**
Governmental/municipal bonds	**100**	**100**	**(0)**
	$ 52,674	**$ 56,285**	**$ 3,611**
Without market value:			
Stocks (non-listed)		**$ 27,284**	
Other		**2,841**	
		30,125	
Sub total		**$ 86,410**	
Investments in affiliates:			
Without market value:			
Stocks (non-listed)		**$ 6,972**	
Sub total		**$ 6,972**	
Total		**$ 93,382**	

The proceeds from sales of, and gross realized gain and loss on, investment securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Proceeds from sales	**¥ 3,590**	¥ 134	**$ 35,837**
Gross realized gains	**1,469**	43	**14,663**
Gross realized losses	**(1)**	(4)	**(12)**

Money in trust (money in trust, other than that for trading purposes) included in cash segregated as deposits related to securities transactions on the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	(Millions of yen)					
	2008			2007		
	Acquisition cost	**Balance sheets**	**Difference**	Acquisition cost	Balance sheets	Difference
Other money in trust	**¥ -**	**¥ -**	**¥ -**	¥ 3,999	¥ 3,998	¥ (1)

Derivatives other than trading purposes are included in accrued and other liabilities – other on the consolidated balance sheets. Notional amounts and market value of derivatives other than trading purpose as of March 2008 and 2007 were as follows:

	(Millions of yen)			
	2008		2007	
	Notional amount	**Market value**	Notional amount	Market value
Liabilities:				
Swaps	**¥ 1,500**	**¥ 11**	-	-

	(Thousands of U.S. dollars)	
	2008	
	Notional amount	**Market value**
Liabilities:		
Swaps	**$ 14,972**	**$ 113**

6. Borrowings

Borrowings as of March 31, 2008 and 2007 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Weighted average interest rate)
	2008	2007	**2008**	**2008**
Short-term borrowings:				
Call money	**¥ 8,000**	¥ 15,000	**$ 79,848**	
Borrowings from financial institutions	**113,892**	91,098	**1,136,764**	
Borrowings from securities finance companies	**1,630**	1,630	**16,269**	
Total	**¥ 123,522**	¥ 107,728	**$ 1,232,881**	**0.84%**
Commercial paper	**¥ 17,400**	¥ 18,100	**$ 173,670**	**0.70%~0.90%**
Long-term borrowings				
Borrowings from financial institutions	**¥ 2,500**	¥ 150	**$ 24,953**	**2.00%**
Total borrowings	**¥ 143,422**	¥ 125,978	**$ 1,431,504**	

The aggregate annual maturities of long-term borrowings as of March 31, 2008 are as follows:

Year Ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
	2008	**2008**
2011	**¥ 2,500**	**$ 24,953**
Total	**¥ 2,500**	**$ 24,953**

7. Assets pledged as collateral

(1) Assets pledged as collateral for borrowings as of March 31, 2008 and 2007 were summarized as follows:

	(Millions of yen)		
	Obligations secured by pledged assets	**Pledged assets**	
2008		**Trading securities**	**Total**
Short-term borrowings	**¥ 74,630**	**¥ 95,431**	**¥ 95,431**
Payables related to margin transactions	**23,244**	**391**	**391**
Deposits received for securities loaned	**58,159**	**51,328**	**51,328**
Securities sold under repurchase agreements	**1,598**	**1,599**	**1,599**
Total	**¥ 157,631**	**¥ 148,749**	**¥ 148,749**

	(Millions of yen)		
	Obligations secured by pledged assets	Pledged assets	
2007		Trading securities	Total
Short-term borrowings	¥ 57,830	¥ 62,949	¥ 62,949
Payables related to margin transactions	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

	(Thousands of U.S. dollars)		
	Obligations secured by pledged assets	**Pledged assets**	
2008		**Trading securities**	**Total**
Short-term borrowings	**$ 744,885**	**$ 952,501**	**$ 952,501**
Payables related to margin transactions	**231,996**	**3,899**	**3,899**
Deposits received for securities loaned	**580,490**	**512,312**	**512,312**
Securities sold under repurchase agreements	**15,954**	**15,958**	**15,958**
Total	**$ 1,573,325**	**$ 1,484,670**	**$ 1,484,670**

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Stocks received as collateral from customers under self-financing margin transactions	**¥ 5,262**	¥ 9,652	**$ 52,521**
Stocks received as collateral from customers for securities borrowed	**6,772**	14,589	**67,596**

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Cash in banks	**¥ 300**	¥ 300	**$ 2,994**
Trading securities	**740**	11	**7,385**
Property and equipment	**300**	301	**2,992**
Investment securities	**1,735**	2,802	**17,318**
Stocks received from self-financing on margin transactions	**3,575**	4,438	**35,678**

(2) The fair value of securities pledged and received as collateral at March 31, 2008 and 2007 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Pledged Securities:			
Securities loaned to customers for margin transactions	**¥ 2,306**	¥ 3,468	**$ 23,016**
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transactions	**25,507**	30,919	**254,587**
Securities loaned for collateralized short-term financing agreements	**58,101**	49,992	**579,908**
Securities pledged related to securities sold under repurchase agreements	**1,599**	28,256	**15,958**
Securities pledged as collateral for short-term guarantees	**18,020**	24,830	**179,862**
Securities pledged as collateral for long-term guarantees	**12**	14	**117**
Received Securities:			
Securities received from customers for loans under margin transactions	**¥ 44,435**	¥ 102,026	**$ 443,509**
Securities borrowed from finance companies or securities exchange brokers for margin transactions	**6,921**	11,364	**69,075**
Short-term securities borrowed	**146,888**	143,174	**1,466,093**
Securities received as collateral for short-term guarantees	**49,043**	70,773	**489,502**
Other	**978**	1,086	**9,765**

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 ¥306 million ($3,053 thousand) and ¥405 million were included in "Liability for retirement benefits" on the consolidated balance sheets as of March 31, 2008 and 2007, respectively.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Group as of March 31, 2008 and 2007:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Projected benefit obligations	¥ **(10,139)**	¥ (9,749)	$ **(101,199)**
Plan assets including benefit trusts	**7,368**	9,717	**73,537**
Unfunded retirement benefit obligation	**(2,771)**	(32)	**(27,662)**
Unrecognized net actuarial differences	**2,268**	(495)	**22,641**
Net amounts reported in the consolidated balance sheets	**(503)**	(527)	**(5,021)**
Prepaid pension and severance costs	**180**	153	**1,794**
Liability for retirement benefits	¥ **(683)**	¥ (680)	$ **(6,815)**

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 were outlined as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Service cost	¥ **639**	¥ 631	$ **6,378**
Interest cost	**181**	177	**1,810**
Expected return on plan assets	**(129)**	(122)	**(1,288)**
Amortization of actuarial differences	**34**	(76)	**335**
Net periodic expense	¥ **725**	¥ 610	$ **7,235**
Contribution to defined contribution benefit plan	**165**	157	**1,647**
Total	¥ **890**	¥ 767	$ **8,882**

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rates	**2.00%**	2.00%
Expected rate of return on plan assets	**2.00%**	2.00%

9. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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 options

There was no stock option outstanding as of March 31, 2008. The stock options that expired during this fiscal year were 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 ($ 1.26)	From July 1, 2004 To June 30, 2007

The stock option activity was as follows:

	2003 Stock Option
	(Shares)
For the year ended March 31, 2008	
Non-vested	
March 31, 2007 – Outstanding	-
Granted	-
Canceled	-
Vested	-
March 31, 2008 – Outstanding	-
Vested	
March 31, 2007 - Outstanding	40,000
Vested	-
Exercised	(30,000)
Canceled	(10,000)
March 31, 2008 – Outstanding	-
Exercise price	¥ 126
	($ 1.26)
Average stock price at exercise	¥ 696
	($ 6.95)
Fair value price at grant date	-

11. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Retirement benefits to employees	¥ **1,756**	¥ 1,758	$ **17,526**
Allowance for doubtful accounts	**289**	293	**2,884**
Loss on devaluation of investment securities	**274**	566	**2,735**
Loss on impairment of fixed assets	**1,435**	1,491	**14,319**
Statutory reserves	**401**	401	**3,999**
Retirement benefits to directors and corporate auditors	**122**	161	**1,222**
Employees' bonuses	**753**	1,633	**7,512**
Enterprise tax payable	**149**	425	**1,490**
Other	**881**	893	**8,799**
Sub total	**6,060**	7,621	**60,486**
Tax loss carried forward	**310**	177	**3,091**
Deferred tax assets	**6,370**	7,798	**63,577**
Valuation allowance	**(3,658)**	(3,705)	**(36,503)**
Total deferred tax assets	¥ **2,712**	¥ 4,093	$ **27,074**
Deferred tax liabilities:			
Gain on contribution of securities to employees' retirement benefit trust	¥ **1,253**	¥ 1,253	$ **12,507**
Net unrealized gain on available-for-sale securities	**137**	1,054	**1,368**
Other	**53**	84	**528**
Deferred tax liabilities	**1,443**	2,391	**14,403**
Valuation allowance	**(1)**	(1)	**(7)**
Total deferred tax liabilities	¥ **1,442**	¥ 2,390	$ **14,396**
Net deferred tax assets	¥ **1,270**	¥ 1,703	$ **12,678**

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, 2008 and 2007 were as follows:

	2008	2007
Effective statutory tax rate	**39.55%**	39.55%
Increase (decrease) due to:		
Permanent non-deductible items	**1.72**	0.98
Inhabitants tax per capita levy	**0.50**	0.43
Valuation allowance	**(0.31)**	0.69
Other, net	**0.47**	0.66
Effective income tax rate	**41.93%**	42.31%

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, 2008 and 2007 was as follows:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Acquisition cost	¥ **398**	¥ 417	$ **3,975**
Accumulated depreciation	**284**	226	**2,836**
Net book value at year end	¥ **114**	¥ 191	$ **1,139**

(2) Future lease payments

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Due in one year or less	¥ **75**	¥ 82	$ **750**
Due after one year	**48**	120	**479**
Total	¥ **123**	¥ 202	$ **1,229**

(3) Lease expenses, depreciation and interest expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Lease payment	¥ **92**	¥ 120	$ **922**
Depreciation	**80**	107	**799**
Interest expense	**10**	13	**102**

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, 2008 that would have an adverse effect on the consolidated financial position or results of operation of the Company.

Contingent liabilities as of March 31, 2008 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for employees' borrowings from a financial institution	¥ 39	$ 392

14. Commissions

Commissions earned for the years ended March 31, 2008 and 2007 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Brokerage	**¥ 19,485**	¥ 24,956	**$ 194,479**
Underwriting and distribution	**13,613**	14,043	**135,872**
Other	**10,434**	8,424	**104,146**
Total	**¥ 43,532**	¥ 47,423	**$ 434,497**

15. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Employees' compensation and benefits	**¥ 24,942**	¥ 25,437	**$ 248,949**
Brokerage and other commissions	**2,567**	2,210	**25,621**
Communication and transportation	**3,034**	2,611	**30,285**
Real estate expenses	**5,759**	5,461	**57,475**
Data processing and office supplies	**4,490**	3,524	**44,813**
Taxes other than income taxes	**604**	501	**6,023**
Depreciation	**1,139**	761	**11,369**
Amortization	**1,427**	835	**14,246**
Other	**2,970**	3,063	**29,644**
Total	**¥ 46,932**	¥ 44,403	**$ 468,425**

16. Other income and expenses

The components of "Other, net" in the consolidated statements of income for the years ended March 31, 2008 and 2007 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2007	**2008**
Dividend income	**¥ 238**	¥ 243	**$ 2,380**
Rent income	**325**	229	**3,246**
Net gain on sales and devaluation of investment securities	**662**	5	**6,607**
Net gain on sale of fixed assets	**15**	(0)	**147**
Losses on disposal of fixed assets	**(75)**	(115)	**(754)**
Equity in losses of an affiliated company	**(102)**	-	**(1,014)**
System migration expenses	**(73)**	-	**(729)**
Other (*)	**445**	177	**4,436**
Total	**¥ 1,435**	¥ 539	**$ 14,319**

(*) Amortization of negative goodwill included in "Other" amounted to ¥83 million ($830 thousand) and ¥112 million for the years ended March 31, 2008 and 2007, respectively.

17. Per share information

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 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, 2008:				
Basic EPS				
Net income available to common shareholders......	**¥ 9,025**	**265,458**	**¥ 34.00**	**$ 0.34**
Effect of Dilutive Securities				
Stock options..	**-**	**6**		
Diluted EPS				
Net income for computation..................................	**¥ 9,025**	**265,464**	**¥ 34.00**	**$ 0.34**
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders......	¥ 10,669	269,064	¥ 39.65	
Effect of Dilutive Securities				
Stock options..	-	37		
Diluted EPS				
Net income for computation..................................	¥ 10,669	269,101	¥ 39.65	

18. 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, 2008 and 2007 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, 2008 and 2007 have been omitted because they accounted for less than 10% of consolidated net sales.

19. Subsequent event

(a) Corporate Split

A resolution was passed at the board of directors' meeting of the Company held on March 6, 2008 that the financial instruments trading businesses at its Hiroshima and Shimonoseki Branch would be spun off and succeeded by YM Securities Co., Ltd. (an affiliated company to which the equity method applied) by way of a corporate split. The absorption-type corporate split agreement was signed on March 6, 2008 and the corporate split was registered effective on April 28, 2008.

(1) Method of the split

A simplified absorption-type corporate split was used which is designed to spin off part of the business of the Company and transfer it to YM Securities Co., Ltd. Under the simplified method, approval from the shareholders with respect to the corporate split is unnecessary.

(2) Allotment with respect to the split

YM Securities Co., Ltd. (the successor corporation) paid ¥440 million ($4,392 thousand) of cash to the Company (the split corporation) as a consideration for this corporate split.

Assets and liabilities split are as follows:

Assets	(Millions of yen)		(Thousands of U.S. dollars)	
Cash segregated as deposits related to securities transactions	¥	723	$	7,218
Receivables related to margin transactions		100		992
Total	¥	823	$	8,210

Liabilities	(Millions of yen)		(Thousands of U.S. dollars)	
Payables to customers	¥	723	$	7,218
Payables related to margin transactions		100		992
Total	¥	823	$	8,210

(b) Appropriation of Retained Earnings

On June 27, 2008, the shareholders approved the appropriation of retained earnings as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Cash dividends (¥7.50＝$0.08 per share)	¥	1,991	$	19,870

Company Information

Corporate Directory (as of June 27, 2008)

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	2,107 (as of March 31, 2008)
Number of Branches	74

Board of Directors and Statutory Auditors (as of June 27, 2008)

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

Subsidiary And Affiliates (as of June 27, 2008)

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 City Tower, 40 Basinghall Street,London EC2V 5DE, United Kingdom Tel: +44-207-070-4600 Fax: +44-207-070-4649
	Tokai Tokyo Securities (USA), Inc. 330 Madison Avenue, New York, NY 10017 USA Tel: +1-646-495-5490 Fax: +1-646-495-5491
Domestic Affiliates	Utsunomiya Securities Co., Ltd.
	Tokai Tokyo Investment Management Co., Ltd.
	Tokai Tokyo Finance & Real Estate Co., Ltd
	Tokai Tokyo Investment Co., Ltd
	Tokai Tokyo Research Center Co., Ltd.
	Tokai Tokyo Services Co., Ltd.
	Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.

Major Shareholders (as of March 31, 2008)

Shareholder name	Ratio of Voting Rights
Mitsui Sumitomo Insurance Co., Ltd.	9.98%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.80
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.52
Meiji Yasuda Life Insurance Company	1.75
Credit Suisse Securities (USA) LLC , Special for Excel Bene	1.71
The Chuo Mitsui Trust and Banking Company, Ltd.	1.68
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1.23
Japan Trustee Services Bank, Ltd. (Trust Account for The Sumitomo Trust and Banking Co., Ltd. retirement benefit trust account for Toyota Motor Corporation)	1.21
The Chukyo Bank, Ltd.	1.14

TOKAI TOKYO SECURITIES ANNUAL REPORT 2008

TOKAI TOKYO SECURITIES CO., LTD.
6-2, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8275 Japan **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