ANNUAL REPORT 2010

For the Fiscal Year Ended March 31,2010

TOKAI TOKYO FINANCIAL HOLDINGS, INC.

Profile

Tokai Tokyo Financial Holdings, Inc. is the holding company of the Tokai Tokyo Financial Group, centered on Tokai Tokyo Securities Co., Ltd. As a holding company, Tokai Tokyo Financial Holdings operates and manages the group companies and seeks to enhance their value by promoting its regional and alliance strategies -both vital for the group- toward a new era of the financial industry.

As of March 31, 2010, the Tokai Tokyo Financial Group consists of Tokai Tokyo Financial Holdings, 15 subsidiaries and two equity method affiliates in Japan, and three overseas subsidiaries. The group focuses on the securities business and provides financial products, services, and solutions that meet the needs of customers.

Contents

Consolidated Financial Statements

Company Information

Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Total revenues	¥ **58,500**	¥ 43,628	$ **628,764**
Operating income	**10,516**	(897)	**113,031**
Net income	**7,161**	2,483	**76,965**
Total assets	**664,767**	418,962	**7,144,958**
Total equity	**114,126**	104,332	**1,226,636**
Per share of common stock	Yen		U.S. dollars
Basic net income	¥ **26.33**	¥ 9.35	$ **0.28**
Cash dividends applicable to the year	**15.00**	7.50	**0.16**

Note: U.S. dollar amounts are translated for convenience only at the rate of ¥93.04=U.S.$1.00.

To Our Shareholders

Foreword

During the fiscal 2009, the Japanese economy has made a gradual recovery from the unprecedented downturn that was prompted by the collapse of Lehman Brothers. Backed by solid stock and bond markets, the economy has stayed on upward path anyway despite various surrounding uncertainties.

In this economic conditions, the Tokai Tokyo Financial Group recorded consolidated Total revenues of ¥58,500 million (an increase of 34% over the previous year), Operating income of ¥10,516 million, and Net income of ¥7,161 million (a rise of 188% over the previous year) in fiscal 2009.

Although the stock market temporarily softened toward the fiscal year end plagued by some adverse winds like the Dubai shock and credit tightening in China, the Group's overall performance was little affected. I believe that such an immune strength is a payoff of the efforts made to enhance our operating foundation as a securities firm under the previous version of three-year business plan, "Innovation Jump Up 5". We designed the plan to drive, amongst all, an initiative of the business portfolio reform aiming to adapt ourselves to changing environment.

To further promote the said endeavor seeking concrete fruits to materialize, we have now developed and implemented a new three-year business plan, which, we call, is "TT Revolution". In fiscal 2009, the first year under the plan, we made a status assessment and identified the issues to be resolved. Then, we started working on the measures you find in the following sections.

To reiterate, the Group is now committed to grow as a securities firm in the new era by correctly reading changes in our operating environment and achieve "TT Revolution", our new three-year business plan.

Overview of fiscal 2009

We have sustained a drive to change the way we operate as a securities firm to better fit to the current business climate. Aiming to be "The Premier House", we built an operating platform that made it possible to offer high quality products and services. We were able to increase earnings despite unstable market conditions that had lasted toward the end of the fiscal year, and the feat, I think, is attributable to the efforts we made for the reform to our business portfolio over the last several years.

Tokai Tokyo Securities Co., Ltd. ("TTSC"), at the Retail Business Unit that provides individual customers with asset management services by offering stocks and other financial instruments, actively sold various products it arranged, such as investment trusts, foreign currency bonds, and structured bonds. As a result, earnings of the Retail Business Unit rose approximately 25% over the previous year.

Meanwhile, TTSC, at the Investment Banking Business Unit that handles sales for corporate customers, product arrangement, trading, and underwriting, nearly doubled earnings this year over the previous year.

I believe that the factors such as business portfolio reform and elevated product competitiveness brought us operating synergy and increased earnings to both those business units.

“TT Revolution”, Three-year Business Plan

To grow as a new type of securities firm that is able to survive and prosper in an era of violent change, we have focused our effort on building a strong base for operations and management. With tangible results of the previous business plan, “Innovation Jump Up 5”, now manifested, we will further expand our business on top of what we have accomplished by implementing now another three-year business plan, “TT Revolution”.

“TT Revolution” sets forth the basic strategies in two folds. Over medium to long term, we will focus on “growth”, while emphasizing “productivity” in short term. We are executing these strategies with the following five key factors for success as guideline: In addition to “growth” and “productivity” just mentioned, “customer loyalty”, “communication” and “super community house” are those what we will pursue. With respect to “growth”, we strive to expand our base of operations through alliances with regional banks and by way of the acquisition of industry peers as “the Blue Ocean Strategies” discussed below.

For “productivity”, our largest challenge is to improve the sales capabilities of young employees who make up nearly half of TTSC's sales staff. To do that, TTSC has overhauled its training program by setting up the group dedicated to young employees education within the Sales and Marketing Strategy Unit.

Improving the efficiency of sales activity is also an issue leading to productivity enhancement. We meet more sophisticated customer needs by designing an operational system to provide more specialized functions and in that conjunction we found it necessary to establish the Main Office Sales Unit in TTSC so that we upgrade the services for high wealth customers. In addition to that, we will staff the Sales and Marketing Unit with our most professional sales personnel referred to as “Premier Executive Advisors”. We also plan to introduce what we call “Multi Functional Support Service” that combines both face-to-face and non-face-to-face sales channels intending to improve customer convenience and build a more efficient sales system.

Further, we will optimize branch network to improve customer services, which actually signifies consolidating offices in Tokyo metropolitan area, as well as relocating and renaming the Sakae Branch as Nagoya Branch and integrating Nagoya Chuo Branch into Nagoya Branch at the same time.

For “customer loyalty”, we conducted an extensive customer survey to identify what services we should provide to our customers to induce them to feel loyalty (trust) in ourselves. Customer loyalty in our context means something more advanced stage of favorable feeling toward us beyond mere customer satisfaction. We will use the analysis results to take actions to improve our services in the near future.

For "communication", we have adopted multi-faceted measures of communication with our shareholders, customers, local communities, and employees through public and investor relations activities as well as marketing strategies aiming to increase the corporate value and organizational strength of our institution.

We will promote community-based marketing activities at each operating spot. One such example would be the relocation of the head office of TTSC from Tokyo to Nagoya with an aim of becoming a securities firm that can contribute to local community as a "Super Community House" practicing community-oriented business while showing our presence more vividly than we have done before.

Alliance Strategy

The Group is actively pursuing an alliance strategy with regional banks as the key to growth. YM Securities Co., Ltd. ("YM Securities") that we have set up jointly with Yamaguchi Financial Group, Inc., now entered its third year of operation and it has been consistently outperforming our expectations. YM Securities provides products and services taking advantage of the resource that bank and securities company each possesses for further growth.

Hamagin Tokai Tokyo Securities Co., Ltd. ("Hamagin TT Securities") also entered the second year of operation and has thus far enjoyed steady growth in earnings. I would say that Hamagin TT Securities has now reached a full-blown operational stage through the expansion of joint offices with The Bank of Yokohama, Ltd., in addition to enlarging its own operating franchise and management base so far.

Meanwhile, Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., a joint venture with The Nishi-Nippon City Bank, Ltd., began its operation in May 2010. The company will operate community-oriented business in close coordination with a financial institution that is well blended into local community.

On April 5, 2010, TTSC merged with Toyota Financial Services Securities Corporation. Toyota Financial Services Securities had unique advantages, the one TTSC did not have. They, for instance, were able to access almost exclusively Toyota Group employees as their clients and also they were privileged to develop financial instruments intermediary business with Toyota automotive dealers. We believe that such unique advantages Tokai Tokyo Financial Group now takes over will further diversify the Group's business execution model. We expect that we can generate attractive synergies by combining such new resource with our broad array of products and services, and our expanded office network.

Given that the stock market of Japan in the first half of calendar year 2010 appeared regaining what had been lost by then, investors may look to Japanese equities for price rise. Having said that, we are not free yet from concerns, including the fiscal problem in Europe triggered by the Greek crisis, skepticism held by various countries toward overheated emerging economies, and the changed policy of the U.S. government about the supervision of financial institutions. I think it is vital to keep an eye on the market movements both in Japan and abroad while we actively and timely provide customers with right information.

We will aggressively implement measures and strategies to further enhance growth and productivity without being content with where and what we are now.

We are determined to double our efforts to fulfill the aim of becoming a securities firm that makes its presence brightly felt in the securities industry as one of the “Greatest 6s” in an era of such savage change.

We respectfully ask for your continued support and encouragement for Tokai Tokyo Financial Group.

Tateaki Ishida
President & CEO

Operating Result for fiscal 2009

Operating Environment

During the consolidated fiscal year under review (April 1, 2009 through March 31, 2010), the Japanese economy began making gradual recovery from the unprecedented downturn in the previous fiscal year that was prompted by the failure of Lehman Brothers. Exports to the United States and China were the main drivers of the recovery while monetary easing and massive fiscal stimulus deployed by the major world economies were supporting factors. Nevertheless, Japan faced persistent deflation that was in part attributable to the appreciation of the yen against the U.S. dollar. Meanwhile general business confidence was not quite improved dampened by weak consumer spending with declining income and bonuses. The Bank of Japan ("BOJ") embarked on quantitative easing in December 2009 and March 2010 attempting to curve deflation. Responding favorably to such measures, business confidence rebounded slightly at the end of the fiscal year under review while the yen depreciated against the dollar and stock prices rose.

The secondary stock market remained generally firm, continuing its upward momentum from the beginning of the fiscal year under review to August reacting positively to the economic recovery supported by easy monetary policy and fiscal spending. The Nikkei Stock Average once rose from just over 8,000 at the fiscal year beginning to beyond 10,000 in August and then failed to near 9,000 in November. The November downturn was caused by worsened balance of supply and demand in the stock market and by an adverse effect of the Dubai shock. The worsened balance of supply and demand in the stock market then was brought by public offerings for capital increase by leading financial institutions. Then, once again, the Nikkei Stock Average bounced back benefiting from the depreciation of the yen against the dollar following the quantitative easing of the BOJ, ending at 11,089 at the end of the fiscal year under review. Referring to investor tendency, domestic investors remained to be net sellers as opposed to foreign investors who generally remained to be buyers. Still, market fluctuation range was narrower than they had been in the previous fiscal year, and for this reason, the daily average transaction value on the First Section of the Tokyo Stock Exchange declined substantially to 1,529.9 billion yen compared with 2,007.9 billion yen in the previous fiscal year.

The secondary bond market as a whole remained solid, too. The yield of the 10-year JGB, the benchmark for long-term interest rate, which began at the level above 1.3% at the outset of the fiscal year, rose up to somewhere beyond 1.5% in June (meaning the price declined), following a recovery in the economy and stock prices and the additional JGB issuance associated with government's large stimulus package. At a later time, however, the yield fell towards 1.2% (the price rose), reflecting factors such as the appreciation of the yen, fall of stock prices, deflation and excess liquidity hoarded by financial institutions due to the fall of their lending. And then further later toward the end of the fiscal year under review, the yield climbed back slightly and ended at 1.395% due to the depreciation of the yen and the rising stock prices as a consequence of the quantitative easing by the BOJ.

Analysis of Operating Result (The figures quoted here are all on consolidated basis.)

Under the above described circumstances, the group recorded Total revenues of ¥58,500 million for the consolidated fiscal year under review, increasing 34.1% year on year, Net revenues of ¥57,110 million, a rise of 37.1%, and Selling, general and administrative expenses of ¥46,594 million, up 9.5%. The group then posted Operating income of ¥10,516 million and Net income of ¥7,161 million, an increase of 188.4% respectively.

(Commissions)
In the fiscal year under review, Commissions were ¥29,673 million on a consolidated basis, up 18.9% from the previous year. A breakdown of the Commissions is as follows:

(i) Brokerage
Physical turnover volume of equity brokerage stood at 3,076 million shares, up 14.9% from the preceding year. But, the equity brokerage in terms of value was ¥1,648.4 billion, down 16%. As a result, the group recorded overall Brokerage commission of ¥10,163 million, a fall of 11.9% from a year earlier caused by a fall in equity brokerage commission.
(ii) Underwriting and distribution
The group recorded Underwriting and distribution commission of ¥13,900 million, an increase of 143.4% from the previous year. The Distribution commission for most part was earned from investment trust.
(iii) Other
Other commission was ¥5,610 million, a fall of 27.1% from the preceding year. Most of this amount was attributable to agency commission from investment trusts.

(Net gain on trading)
In the fiscal year under review, net gain on trading of stocks increased from the previous year, on a consolidated basis, thanks to brisk sales of foreign stocks. Net gain on trading of bonds and foreign exchanges also increased. As a result, Net gain on trading totaled ¥26,257 million, up 64.1%.

(Net interest and dividend income)
In the fiscal year under review, Interest and dividend income was ¥2,570 million, down 4.3% from the previous year, on a consolidated basis. Meanwhile, Interest expense fell 29.7%, to ¥1,390 million. Hence, Net interest and dividend income was ¥1,180 million, an increase of 66.8%.

(Selling, general and administrative expenses)
In the fiscal year under review, Selling, general and administrative expenses were ¥46,594 million, up 9.5% from the previous year, on a consolidated basis. Of that amount, Employees' compensation and benefits were ¥24,083 million, an increase of 17.7%, with Brokerage and other commissions at ¥3,323 million, up 53.6%, Real estate expenses at ¥5,886 million, down 0.4%, and Data processing and office supplies at ¥4,308 million, falling 20.5%.

(Other income and expenses)
In the year under review, the most significant item of Other income was Rent income , representing ¥630 million. Likewise the biggest item of Other expenses was net loss on sales and devaluation of investment securities, amounting to ¥228 million.

Consolidated Financial Statements

Tokai Tokyo Financial Holdings, Inc.

and Consolidated Subsidiaries

Years ended March 31, 2010 and 2009

with Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
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 Financial Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Tokai Tokyo Financial Holdings, Inc. and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, 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 Financial Holdings, Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, 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 LLC

June 30, 2010

Consolidated Balance Sheets

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
ASSETS			
Cash on hand and in banks (Notes 4, 8 and 15):			
Cash and time deposits	¥ **63,092**	¥ 80,552	$ **678,119**
Cash segregated as deposits related to securities transactions	**19,675**	16,397	**211,466**
	82,767	96,949	**889,585**
Collateralized short-term financing agreements (Note 15):			
Deposits paid for securities borrowed	**166,792**	90,543	**1,792,690**
Securities purchased under resell agreements	**79,203**	—	**851,283**
	245,995	90,543	**2,643,973**
Trading assets:			
Trading securities (Notes 5, 8 and 15)	**245,276**	150,197	**2,636,245**
Derivative assets (Notes 6 and 15)	**1,920**	1,828	**20,642**
	247,196	152,025	**2,656,887**
Receivables (Note 15):			
Receivables from brokers, dealers and clearing organizations	**7,986**	9,503	**85,835**
Receivables from customers	**411**	193	**4,415**
Receivables related to margin transactions	**36,043**	23,373	**387,392**
Other	**2,641**	4,857	**28,386**
	47,081	37,926	**506,028**
Less: allowance for doubtful accounts	**(23)**	(41)	**(250)**
	47,058	37,885	**505,778**
Short-term investment securities (Notes 5 and 15)	**100**	—	**1,074**
Investment securities (Notes 5, 8 and 15)	**13,516**	13,287	**145,276**
Deferred tax assets (Note 13)	**2,588**	1,649	**27,815**
Other assets:			
Property and equipment (Notes 8 and 9)	**16,523**	16,531	**177,591**
Less: accumulated depreciation	**(6,948)**	(6,085)	**(74,682)**
	9,575	10,446	**102,909**
Lease deposits (Note 15)	**3,735**	3,643	**40,144**
Other (Note 8)	**12,818**	13,198	**137,759**
	26,128	27,287	**280,812**
Less: allowance for doubtful accounts	**(581)**	(663)	**(6,242)**
	25,547	26,624	**274,570**
Total assets	¥ **664,767**	¥ 418,962	$ **7,144,958**

See notes to the consolidated financial statements.

Consolidated Balance Sheets

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND EQUITY			
Borrowings (Notes 7, 8 and 15):			
Short-term borrowings	¥ **150,615**	¥ 151,538	$ **1,618,814**
Commercial paper	**11,300**	13,400	**121,453**
Long-term borrowings	**3,050**	2,350	**32,781**
	164,965	167,288	**1,773,048**
Trading liabilities:			
Trading securities (Notes 5 and 15)	**107,615**	68,374	**1,156,656**
Derivative liabilities (Notes 6 and 15)	**1,669**	1,383	**17,936**
	109,284	69,757	**1,174,592**
Collateralized short-term financing agreements (Notes 8 and 15):			
Deposits received for securities loaned	**107,191**	16,810	**1,152,092**
Securities sold under repurchase agreements	**116,745**	29,587	**1,254,782**
	223,936	46,397	**2,406,874**
Payables (Note 15):			
Payables to brokers, dealers, and clearing organizations	**6,151**	56	**66,109**
Payables to customers	**20,305**	15,359	**218,240**
Payables related to margin transactions (Note 8)	**9,150**	7,989	**98,351**
Other	**3,368**	2,390	**36,198**
	38,974	25,794	**418,898**
Accrued and other liabilities:			
Income taxes payable (Note 15)	**5,874**	71	**63,133**
Employees' bonuses	**2,099**	850	**22,556**
Liability for retirement benefits (Note 10)	**1,575**	1,152	**16,934**
Other (Note 8)	**3,627**	2,960	**38,984**
	13,175	5,033	**141,607**
Statutory reserves	**307**	361	**3,303**
Total liabilities	**550,641**	314,630	**5,918,322**
Commitments and contingent liabilities (Notes 14 and 16)			
Equity (Notes 11 and 12)			
Common stock: authorized: 972,730,000 shares; issued: 280,582,115 shares in 2010; 285,582,115 shares in 2009	**36,000**	36,000	**386,930**
Capital surplus	**33,155**	37,569	**356,353**
Stock acquisition rights	**20**	−	**217**
Retained earnings	**46,122**	41,217	**495,723**
Net unrealized loss on available-for-sale securities	**(403)**	(408)	**(4,330)**
Foreign currency translation adjustments	**(635)**	(689)	**(6,817)**
Less: treasury stocks, at cost: 926,678 shares in 2010; 20,182,683 shares in 2009	**(442)**	(9,661)	**(4,759)**
Total	**113,817**	104,028	**1,223,317**
Minority interests	**309**	304	**3,319**
Total equity	**114,126**	104,332	**1,226,636**
Total liabilities and equity	¥ **664,767**	¥ 418,962	$ **7,144,958**

See notes to the consolidated financial statements.

Consolidated Statements of Income

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Revenues:			
Commissions (Note 17)	¥ **29,673**	¥ 24,946	$ **318,927**
Net gain on trading	**26,257**	15,997	**282,211**
Interest and dividend income	**2,570**	2,685	**27,626**
Total revenues	**58,500**	43,628	**628,764**
Interest expense	**1,390**	1,978	**14,938**
Net revenues	**57,110**	41,650	**613,826**
Selling, general and administrative expenses (Note 18)	**46,594**	42,547	**500,795**
Operating income	**10,516**	(897)	**113,031**
Other, net (Note 19)	**1,264**	3,336	**13,580**
Income before income taxes and minority interests	**11,780**	2,439	**126,611**
Income taxes (Note 13):			
Current	**5,557**	228	**59,731**
Deferred	**(939)**	(247)	**(10,095)**
	4,618	(19)	**49,636**
Minority interests	**1**	(25)	**10**
Net income	¥ **7,161**	¥ 2,483	$ **76,965**

Per share of common stock (Notes 2.p and 20):	Yen		U.S. dollars
Basic	¥ **26.33**	¥ 9.35	$ **0.28**
Cash dividends applicable to the year	**15.00**	7.50	**0.16**

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2009

	Thousands of shares		Millions of yen									
	Common stock	*Treasury stock*	Common stock	Capital surplus	Stock acquisition right	Retained earnings	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustment	Treasury stock	Total	Minority interests	Total equity
Balance as of April 1, 2008	*285,582*	*20,143*	¥ 36,000	¥ 37,574	¥ -	¥ 42,052	¥ 206	¥ (202)	¥ (9,655)	¥ 105,975	¥ 507	¥ 106,482
Net income	-	-	-	-	-	2,483	-	-	-	2,483	-	2,483
Cash dividends, ¥12.50 per share	-	-	-	-	-	(3,318)	-	-	-	(3,318)	-	(3,318)
Purchase of treasury stock	-	*73*	-	-	-	-	-	-	(22)	(22)	-	(22)
Disposal of treasury stock	-	*(33)*	-	(5)	-	-	-	-	16	11	-	11
Net change in the year	-	-	-	-	-	-	(614)	(487)	-	(1,101)	(203)	(1,304)
Balance as of March 31, 2009	***285,582***	***20,183***	**¥ 36,000**	**¥ 37,569**	**¥ -**	**¥ 41,217**	**¥ (408)**	**¥ (689)**	**¥ (9,661)**	**¥ 104,028**	**¥ 304**	**¥ 104,332**
Net income	**-**	**-**	**-**	**-**	**-**	**7,161**	**-**	**-**	**-**	**7,161**	**-**	**7,161**
Cash dividends, ¥8.50 per share	**-**	**-**	**-**	**-**	**-**	**(2,256)**	**-**	**-**	**-**	**(2,256)**	**-**	**(2,256)**
Purchase of treasury stock	**-**	***27***	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**	**-**	**(8)**
Disposal of treasury stock	**-**	***(14,283)***	**-**	**(2,022)**	**-**	**-**	**-**	**-**	**6,835**	**4,813**	**-**	**4,813**
Retirement of treasury stock	**-**	***(5,000)***	**-**	**(2,392)**	**-**	**-**	**-**	**-**	**2,392**	**-**	**-**	**-**
Net change in the year	**-**	**-**	**-**	**-**	**20**	**-**	**5**	**54**	**-**	**79**	**5**	**84**
Balance as of March 31, 2010	***285,582***	***927***	**¥ 36,000**	**¥ 33,155**	**¥ 20**	**¥ 46,122**	**¥ (403)**	**¥ (635)**	**¥ (442)**	**¥ 113,817**	**¥ 309**	**¥ 114,126**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital Surplus	Stock acquisition right	Retained earnings	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustment	Treasury stock	Total	Minority interests	Total equity
Balance as of March 31, 2009	**$ 386,930**	**$ 403,794**	**$ -**	**$ 443,003**	**$ (4,383)**	**$ (7,401)**	**$ (103,842)**	**$ 1,118,101**	**$ 3,265**	**$ 1,121,366**
Net income	**-**	**-**	**-**	**76,965**	**-**	**-**	**-**	**76,965**	**-**	**76,965**
Cash dividends, $0.091per share	**-**	**-**	**-**	**(24,245)**	**-**	**-**	**-**	**(24,245)**	**-**	**(24,245)**
Purchase of treasury stock	**-**	**-**	**-**	**-**	**-**	**-**	**(91)**	**(91)**	**-**	**(91)**
Disposal of treasury stock	**-**	**(21,729)**	**-**	**-**	**-**	**-**	**73,462**	**51,733**	**-**	**51,733**
Retirement of treasury stock	**-**	**(25,712)**	**-**	**-**	**-**	**-**	**25,712**	**-**	**-**	**-**
Net change in the year	**-**	**-**	**217**	**-**	**53**	**584**	**-**	**854**	**54**	**908**
Balance as of March 31, 2010	**$ 386,930**	**$ 356,353**	**$ 217**	**$ 495,723**	**$ (4,330)**	**$ (6,817)**	**$ (4,759)**	**$ 1,223,317**	**$ 3,319**	**$ 1,226,636**

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **11,780**	¥ 2,439	$ **126,611**
Adjustments for:			
Income taxes - paid	**(151)**	(1,564)	**(1,624)**
Depreciation and amortization	**2,737**	2,456	**29,422**
Reversal of doubtful accounts	**(100)**	(45)	**(1,085)**
Provision for retirement benefits	**300**	164	**3,220**
Reversal of statutory reserves	**(54)**	(652)	**(578)**
Net gains on sale of investment securities	**(2)**	(924)	**(26)**
Gains on change in interest in an equity investee	**-**	(2,825)	**-**
Losses on devaluation of fixed assets	**13**	-	**142**
Losses on disposal of fixed assets	**94**	1,276	**1,005**
Net losses (gains) on sale of fixed assets	**13**	(5)	**141**
Losses on devaluation of investment securities	**231**	438	**2,481**
Changes in assets and liabilities:			
Decrease (increase) in receivables	**(8,910)**	29,885	**(95,761)**
Increase (decrease) in payables	**13,464**	(29,670)	**144,711**
Trading assets and liabilities	**(53,077)**	(33,006)	**(570,472)**
Collateralized short-term financing agreements	**22,086**	30,964	**237,387**
Other, net	**(2,137)**	819	**(22,966)**
Total adjustments	**(25,493)**	(2,689)	**(274,003)**
Net cash used in operating activities	**(13,713)**	(250)	**(147,392)**
Cash flows from investing activities:			
Purchase of property and equipment	**(1,762)**	(2,951)	**(18,942)**
Proceeds from sale of property and equipment	**173**	16	**1,856**
Purchase of short-term investment securities	**(100)**	-	**(1,074)**
Purchase of investment securities	**(228)**	(2,064)	**(2,452)**
Proceeds from sales of subsidiary	**5**	-	**54**
Net cash flow from acquired subsidiary which resulted in change in the scope of consolidation	**98**	-	**1,058**
Proceeds from sale of investment securities	**83**	1,434	**889**
Proceeds from transfer of business	-	440	-
Other, net	**(148)**	(120)	**(1,587)**
Net cash used in investing activities	**(1,879)**	(3,245)	**(20,198)**
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings - net	**(2,434)**	27,988	**(26,162)**
Proceeds from long-term borrowings	**810**	-	**8,706**
Repayments of long-term borrowings	**(100)**	(50)	**(1,075)**
Proceeds from commercial paper	**84,000**	138,500	**902,837**
Redemption of commercial paper	**(86,100)**	(142,500)	**(925,408)**
Purchase of treasury stock	**(8)**	(12)	**(81)**
Disposal of treasury stock	**4,813**	-	**51,724**
Dividends paid	**(2,256)**	(3,318)	**(24,246)**
Subscription money received from the minority shareholders	-	6,337	**-**
Dividends to minority shareholders	**(1)**	(177)	**(8)**
Return of capital to minority shareholders due to dissolution of YST-1 (a special purpose company)	**-**	(250)	**-**
Net cash (used in) provided by financing activities	**(1,276)**	26,518	**(13,713)**
Foreign currency translation adjustments on cash and cash equivalents	**60**	(713)	**652**
Net (decrease) increase in cash and cash equivalents	**(16,808)**	22,310	**(180,651)**
Decrease in cash and cash equivalents due to change in the scope of consolidation	**-**	(6,466)	**-**
Cash and cash equivalents at the beginning of year	**79,329**	63,485	**852,632**
Cash and cash equivalents at the end of year (Note 4)	¥ **62,521**	¥ 79,329	$ **671,981**

See notes to the consolidated financial statements.

Notes to Consolidated Financial Statements
Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared by Tokai Tokyo Financial Holdings, Inc. (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 Act 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 April 1, 2009, Tokai Tokyo Financial Holdings, Inc. (corporate name changed from Tokai Tokyo Securities Co., Ltd.), which is the holding company of the Group, was established. Simultaneously, Tokai Tokyo Securities Co., Ltd. (corporate name changed from Tokai Tokyo Securities Spin-off Preparation Co., Ltd., which was established on October 8, 2008 as a consolidated subsidiary of the former Tokai Tokyo Securities Co., Ltd.) also began business as a successor securities company of the former Tokai Tokyo Securities Co., Ltd.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated 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.

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, 2010, which was ¥93.04 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, 2010 include the accounts of the Company and its 17 (15 in 2009) 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 two (two in 2009) affiliates are 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 from three to 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. Business combination

In October 2003, the Business Accounting Council (the “BAC”) issued a Statement of Opinion, “Accounting for Business Combinations”, and in December 2005, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures”. The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combinations is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c. 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.

d. 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:
1) Buying and selling of securities
2) Market transactions of derivatives
3) Over-the-counter transactions of derivatives
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 short-term investment securities and 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 loss 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.

e. 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	3-20 years

f. 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.

g. 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.

h. 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.

The Company and its certain domestic consolidated subsidiaries account for the liability for retirement allowances for directors and corporate auditors in accordance with the internal rules to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

(Additional information)

The Company and its certain domestic consolidated subsidiaries have accounted for liability for retirement allowances for directors and corporate auditors in accordance with the internal rules to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. However, a resolution was passed at the Board of Directors' meeting held on May 20, 2009 that the retirement allowance plan of the Company covering all of its directors and corporate auditors be terminated at the closure of the Annual General Meeting of Shareholders to be held on June 26, 2009, as one of the management reforms. It was also approved at the Annual General Meeting of Shareholders that the lump-sum payments of the retirement allowances be made upon termination of the plan based on the remaining service period of the directors and corporate auditors up to the termination date. As a result, the provisions for retirement allowances to directors and corporate auditors were reversed and the outstanding balance of the retirement allowances for directors and corporate auditors as of the termination date was reclassified to Accrued and other liabilities (Other) in the year ended March 31, 2010. Domestic consolidated subsidiaries excluding Tokai Tokyo Securities Co., Ltd. ("Tokai Tokyo Securities") continue to have the retirement allowance plan.

i. Statutory reserves

The Japanese Financial Instruments and Exchange Act 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.

j. Stock Options

The ASBJ Statement No. 8, ”Accounting Standard for Stock Options” and related guidance are applicable to stock options 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 allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company has applied the accounting standard for stock options to those granted on and after May 1, 2006.

k. Accounting for leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions” which revised the previous accounting standard for lease transactions issued in June 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 previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were 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 to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. There was no effect of this change on the statement of income.

All other leases are accounted for as operating leases.

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 expenses, 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

***Business Combinations*—**In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

***Asset Retirement Obligations*—**In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:
(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Business combination

(1) A corporate split in order to change structure of the Company to a holding company

The Company spun-off its financial instruments business and transferred it to Tokai Tokyo Securities to change the structure of the Company to a holding company. The Company accounted for this business combination as transactions under common control in accordance with "Accounting for Business Combinations" (BAC, issued on October 31, 2003) and "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, revised on November 15, 2007).

Outline of the corporate split is as follows:

(a) Business which was spun-off:

The business which was spun-off primarily consists of securities trading business, business of acting as an agency to entrust agents, underwriting and offering securities business, business of dealing in securities subscription and offering, and business of handling transactions of securities private placement.

(b) Legal form of the business combination:

The Company employed corporate spin-off procedures in which the Company is being a company that spins off its business and Tokai Tokyo Securities Spin-off Preparation Co., Ltd. (current Tokai Tokyo Securities Co., Ltd.) is being an existing company that succeeds the business.

(c) Corporate name after the combination:

Tokai Tokyo Securities Co., Ltd. (A consolidated subsidiary of the Company)

(d) Outline and purpose of the transactions:

The purpose of this corporate split is, in changing structure of the Company to a holding company structures, to make Tokai Tokyo Securities Spin-off Preparation Co., Ltd. which is the consolidated subsidiary of the Company (currently Tokai Tokyo Securities Co., Ltd.) succeed the financial instruments businesses which the Company currently carries on.

(2) Acquisition of Toyota Financial Services Securities Corporation and change in scope of consolidation

The Company acquired all shares in Toyota Financial Services Securities Corporation ("Toyota FS Securities") owned by Toyota Financial Services Corporation ("Toyota FS") on January 4, 2010, and Toyota FS Securities became a subsidiary of the Company as of that date. The Company accounted for this business combinations as a purchase in accordance with the "Accounting Standard for Business Combinations" and the "Guidance for Accounting for Business Combinations and Business Divestitures".

(a) Outline of the transactions is as follows:

(i) Profile of the acquired company:

Corporate name: Toyota Financial Services Securities Corporation

Business activities: Financial instruments business

(ii) Reason for the business combinations:

Toyota FS and the Company agreed that a merger of the subsidiaries of both companies will be the most effective approach to a new stage of development, by improving products, services, and functions and expanding operations, while utilizing the strength of each subsidiary. To facilitate the merger, the Company acquired all the shares in Toyota FS Securities from Toyota FS, and made Toyota FS Securities a wholly owned subsidiary of the Company effective January 4, 2010, ahead of the merger. The merger was implemented on April 5, 2010.

(iii) Date of the business combinations: January 4, 2010

(iv) Legal form of the business combinations: Acquisition of shares

(v) Corporate name after the combination: Remain unchanged

(vi) Shareholding ratio acquired: 100%

(b) The term of operations for the acquired company which is included in the consolidated statements of income of the Company from the date of acquisition: From January 4, 2010 to March 31, 2010

(c) Consideration (in cash) for and cost of the acquisition: ¥290 million ($3,117 thousands) (d)Amount of negative goodwill, recognition of negative goodwill and, method and period of its amortization:

(i) Negative goodwill: ¥513 million ($5,513 thousand)

(ii) Recognition of negative goodwill:

Negative goodwill incurred as net of the fair value of assets and liabilities of the acquired company exceeds the cost of acquisition at the date of acquisition

(iii) Method and period of amortization of negative goodwill:

Negative goodwill is amortized using a straight-line method over three years.

(e) Assets acquired and liabilities assumed at the date of acquisition:

		(Millions of yen)		(Thousands of U.S. dollars)
Current assets	¥	3,454	$	37,126
Fixed assets		201		2,163
Total assets acquired	¥	3,655	$	39,289
Current liabilities	¥	499	$	5,364
Fixed liabilities		2,354		25,296
Total liabilities assumed	¥	2,853	$	30,660

(f) The pro forma effects on the unaudited consolidated statement of income of the acquiring company for the year ended March 31, 2010, assuming that this business combination had been completed as of April 1, 2009:

(Unaudited)		(Millions of yen)		(Thou sands of U.S. dollars)
Revenues	¥	1,288	$	13,844
Operating loss		838		9,012
Loss before income taxes and minority interests		795		8,544
Net loss		794		8,539

Method and significant assumptions in determining the pro forma effects:
The pro forma effect is the difference between the estimated revenues, and profit and loss information assuming that this business combination had been completed as of April 1, 2009, and the revenues, and profit and loss information in the consolidated statement of income of the acquisition company.

Amount of negative goodwill, method and period of amortization of the negative goodwill are stated in Note 2 (a).

(g) "Net cash flow from acquired subsidiary which resulted in change in the scope of consolidation" in the consolidated statement of cash flows is the difference of the followings:

		(Millions of yen)		(Thousands of U.S. dollars)
Acquisition price of subsidiaries newly consolidated	¥	(290)	$	(3,117)
Cash and cash equivalents of subsidiaries newly consolidated		388		4,175
Net		98		1,058

4. 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, 2010 and 2009 is presented as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Cash and time deposits	¥ **63,092**	¥ 80,552	$ **678,119**
Time deposits with maturity of over three months	**(571)**	(1,223)	**(6,138)**
Cash and cash equivalents	¥ **62,521**	¥ 79,329	$ **671,981**

5. Securities

(1) Trading Securities as of March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Trading assets:			
Equity and warrants	¥ **18,284**	¥ 7,489	$ **196,521**
Bonds	**222,761**	137,678	**2,394,255**
Beneficiary certificates of investment trust	**3,965**	4,751	**42,609**
Other	**266**	279	**2,860**
Total	¥ **245,276**	¥ 150,197	$ **2,636,245**
Trading liabilities:			
Equity and warrants	¥ **20,431**	¥ 7,441	$ **219,597**
Bonds	**87,184**	60,933	**937,059**
Total	¥ **107,615**	¥ 68,374	$ **1,156,656**

Short-term investment securities and Investment securities as of March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)					
	2010			2009		
	Balance sheets	**Acquisition cost**	**Difference**	Balance sheets	Acquisition cost	Difference
Available-for-sale securities	¥ **1,463**	¥ **998**	¥ **465**	¥ 1,150	¥ 821	¥ 329
Securities with market value that exceed acquisition cost:						
Stocks	**1,453**	**988**	**465**	1,140	811	329
Bonds	**10**	**10**	**0**	10	10	(0)
Governmental/municipal bonds	**10**	**10**	**0**	10	10	(0)
Securities with market value that do not exceed acquisition cost:	**3,172**	**3,942**	**(770)**	3,430	4,193	(763)
Stocks	**3,072**	**3,842**	**(770)**	3,430	4,193	(763)
Bonds	**100**	**100**	**(0)**	-	-	-
Governmental/municipal bonds	**100**	**100**	**(0)**	-	-	-
	¥ **4,635**	¥ **4,940**	¥ **(305)**	¥ 4,580	¥ 5,014	¥ (434)

	(Thousands of U.S. dollars)		
	2010		
	Balance sheets	**Acquisition cost**	**Difference**
Available-for-sale securities:			
Securities with market value that exceed acquisition cost:	**$ 15,719**	**$ 10,728**	**$ 4,991**
Stocks	**15,611**	**10,620**	**4,991**
Bonds	**108**	**108**	**0**
Governmental/municipal bonds	**108**	**108**	**0**
Securities with market value that do not exceed acquisition cost:	**34,093**	**42,364**	**(8,271)**
Stocks	**33,019**	**41,290**	**(8,271)**
Bonds	**1,074**	**1,074**	**(0)**
Governmental/municipal bonds	**1,074**	**1,074**	**(0)**
	$ 49,812	**$ 53,092**	**$ (3,280)**

(2) Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 15.

March 31, 2009	Carrying amount (Millions of yen)
Available-for-sale:	
Stocks (non-listed)	¥ 3,934
Other	1,158

(3) The proceeds from sales of Investment securities and gross realized gains and losses on Investment securities for the years ended March 31, 2010 were summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Proceeds from sales	**¥ 86**	¥ 1,434	**$ 928**
Stocks	**78**	1,265	**839**
Other	**8**	169	**89**
Gross realized gains	**4**	925	**42**
Gross realized losses	**(1)**	(1)	**(16)**

(4) The impairment losses on available-for-sale securities for the years ended March 31, 2010 was ¥231 million ($2,481 thousand). It was consisted of stocks ¥204 million ($2,190 thousand) and other ¥27 million ($291 thousand).

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2010 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	Available for Sale	Available for Sale
Due in one year or less	¥ 110	$ 1,182
Due after one year through five years	-	-
Due after five years through ten years	-	-
Due after ten years	-	-
Total	¥ 110	$ 1,182

6. Derivatives

As noted in Note 15, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010

(1) Currency-related transactions

	(Millions of yen)			
At March 31, 2010	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter:				
Foreign currency forward contracts:				
Selling	¥ 20,867	¥ －	¥ (385)	¥ (385)
Buying	¥ 14,433	¥ －	¥ 230	¥ 230
Currency option contracts:				
Selling	¥ 12,037	¥ 5,841	¥ 998	¥ (27)
Buying	¥ 2,126	¥ －	¥ 85	¥ 33
Currency swap contracts:	¥ 33,776	¥ 26,813	¥ 1,081	¥ 1,081
Foreign exchange margin trading:				
Selling	¥ 2,241	¥ －	¥ 16	¥ 16
Buying	¥ 2,211	¥ －	¥ 15	¥ 15

	(Thousands of U.S. dollars)			
At March 31, 2010	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter:				
Foreign currency forward contracts:				
Selling	$ 224,280	$ －	$ (4,138)	$ (4,138)
Buying	$ 155,124	$ －	$ 2,469	$ 2,469
Currency option contracts:				
Selling	$ 129,375	$ 62,776	$ 10,730	$ (287)
Buying	$ 22,850	$ －	$ 909	$ 357
Currency swap contracts:	$ 363,027	$ 288,184	$ 11,615	$ 11,615
Foreign exchange margin trading:				
Selling	$ 24,091	$ －	$ 172	$ 172
Buying	$ 23,761	$ －	$ 158	$ 158

(2) Interest-rate-related transactions

At March 31, 2010		Contract amount		Contract amount due after one year		Fair value		Unrealized gain (loss)
	(Millions of yen)							
Listed:								
Bond futures :								
Selling	¥	5,957	¥	—	¥	14	¥	14
Buying	¥	1,382	¥	—	¥	0	¥	0
Bond futures option :								
Selling	¥	5,758	¥	—	¥	6	¥	(2)
Buying	¥	5,523	¥	—	¥	14	¥	3
Over-the-counter:								
Swaps:								
Fixed rate receipt, Floating rate payment	¥	102,005	¥	85,151	¥	489	¥	489
Fixed rate payment, Floating rate receipt	¥	120,182	¥	89,457	¥	(755)	¥	(755)
Yen/Yen basis swap	¥	2,200	¥	2,200	¥	8	¥	8
Caps and Floors:								
Selling	¥	2,000	¥	—	¥	—	¥	4
Buying	¥	—	¥	—	¥	—	¥	—

At March 31, 2010		Contract amount		Contract amount due after one year		Fair value		Unrealized gain (loss)
	(Thousands of U.S. dollars)							
Listed:								
Bond futures :								
Selling	$	64,029	$	—	$	149	$	149
Buying	$	14,855	$	—	$	1	$	1
Bond futures option :								
Selling	$	61,887	$	—	$	68	$	(20)
Buying	$	59,356	$	—	$	152	$	29
Over-the-counter:								
Swaps:								
Fixed rate receipt, Floating rate payment	$	1,096,357	$	915,207	$	5,261	$	5,261
Fixed rate payment, Floating rate receipt	$	1,291,720	$	961,490	$	(8,112)	$	(8,112)
Yen/Yen basis swap	$	23,646	$	23,646	$	86	$	86
Caps and Floors:								
Selling	$	21,496	$	—	$	—	$	45
Buying	$	—	$	—	$	—	$	—

(3) Stock-related transactions

At March 31, 2010	(Millions of yen) Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Listed:				
Index futures:				
Selling	¥ 6,811	¥ —	¥ (272)	¥ (272)
Buying	¥ 8,092	¥ —	¥ 301	¥ 301
Index futures options:				
Selling	¥ 287,333	¥ —	¥ 235	¥ 51
Buying	¥ 34,613	¥ —	¥ 216	¥ 69
Underlying stocks on equity options:				
Selling	¥ —	¥ —	¥ —	¥ —
Buying	¥ 823	¥ —	¥ 6	¥ 3
Over-the-counter:				
Stocks repurchase transaction with special contract:				
Selling	¥ 442	¥ —	¥ 0	¥ 4
Buying	¥ 914	¥ —	¥ 25	¥ 17
OTC Options:				
Selling	¥ —	¥ —	¥ —	¥ —
Buying	¥ 6,521	¥ —	¥ 394	¥ 42

At March 31, 2010	(Thousands of U.S. dollars) Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Listed:				
Index futures:				
Selling	$ 73,206	$ —	$ (2,919)	$ (2,919)
Buying	$ 86,975	$ —	$ 3,238	$ 3,238
Index futures options:				
Selling	$ 3,088,268	$ —	$ 2,527	$ 551
Buying	$ 372,017	$ —	$ 2,322	$ 746
Underlying stocks on equity options:				
Selling	$ —	$ —	$ —	$ —
Buying	$ 8,844	$ —	$ 69	$ 32
Over-the-counter:				
Stocks repurchase transaction with special contract:				
Selling	$ 4,760	$ —	$ 0	$ 41
Buying	$ 9,820	$ —	$ 272	$ 183
OTC Options:				
Selling	$ —	$ —	$ —	$ —
Buying	$ 70,093	$ —	$ 4,236	$ 452

Derivative transactions to which hedge accounting is applied at March 31, 2010

There are no derivative transactions to which hedge accounting is applied.

Notional amounts and market value of derivatives for trading purpose as of March 31, 2009 were as follows:

	(Millions of yen)	
	2009	
	Notional amount	Market value
Assets:		
Options	¥ 25,632	¥ 292
Foreign exchange forward	26,808	64
Futures and forwards	2,853	33
Swaps	26,822	1,395
Foreign exchange margin trading	1,978	44
Liabilities:		
Options	¥ 153,387	¥ 1,078
Futures and forwards	542	4
Swaps	88,955	301

Derivatives other than trading purposes are included in accrued and other liabilities – other on the consolidated balance sheets. There are no derivative transactions to which hedge accounting is applied. Notional amounts and market value of derivatives other than trading purpose as of March 2009 were as follows:

	(Millions of yen)	
	2009	
	Notional amount	Market value
Liabilities:		
Swaps	¥ 1,500	¥ 12

7. Borrowings

Borrowings as of March 31, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Weighted average interest rate)
	2010	2009	**2010**	**2010**
Short-term borrowings:				
Call money	**¥ 5,000**	¥ 20,000	**$ 53,740**	
Borrowings from financial institutions	**143,875**	129,808	**1,546,372**	
Borrowings from securities finance companies	**1,630**	1,630	**17,520**	
Subtotal	**¥ 150,505**	¥ 151,438	**$ 1,617,632**	**0.33%**
Current portion of long-term borrowings	**110**	100	**1,182**	**1.97%**
Total	**¥ 150,615**	¥ 151,538	**$ 1,618,814**	
Commercial paper	**11,300**	13,400	**121,453**	**0.29% ~0.67%**
Long-term borrowings:				
Borrowings from financial institutions	**3,050**	2,350	**32,781**	**1.90%**
Total borrowings	**¥ 164,965**	¥ 167,288	**$ 1,773,048**	

The aggregate annual maturities of long-term borrowings as of March 31, 2010 are as follows:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
	2010	**2010**
2012	**¥ 110**	**$ 1,182**
2013	**110**	**1,182**
2014	**110**	**1,182**
2015	**2,720**	**29,235**
Total	**¥ 3,050**	**$ 32,781**

8. Assets pledged as collateral

(1) Assets pledged as collateral for borrowings as of March 31, 2010 and 2009 were summarized as follows:

(Millions of yen)

2010	**Obligations secured by pledged assets**	**Pledged assets: Cash on hand and in banks**	**Trading securities**	**Investment securities**	**Other assets (Other)**	**Total**
Short-term borrowings	**¥ 98,930**	**¥ —**	**¥ 105,269**	**¥ —**	**¥ —**	**¥ 105,269**
Payables related to margin transactions	**4,903**	**—**	**—**	**—**	**—**	**—**
Deposits received for securities loaned	**107,191**	**—**	**103,998**	**—**	**—**	**103,998**
Securities sold under repurchase agreements	**116,745**	**—**	**116,507**	**—**	**—**	**116,507**
Long-term borrowings (Current portion of Long-term borrowings)	**3,160 (110)**	**146**	**—**	**—**	**5,558**	**5,704**
Total	**¥ 330,929**	**¥ 146**	**¥ 325,774**	**¥ —**	**¥ 5,558**	**¥ 331,478**

(Millions of yen)

2009	Obligations secured by pledged assets	Pledged assets: Cash on hand and in banks	Trading securities	Investment securities	Other assets (Other)	Total
Short-term borrowings	¥ 86,830	¥ —	¥ 101,314	¥ 1,351	¥ —	¥ 102,665
Payables related to margin transactions	3,291	—	—	87	—	87
Deposits received for securities loaned	16,810	—	15,968	—	—	15,968
Securities sold under repurchase agreements	29,588	—	29,629	—	—	29,629
Long-term borrowings (Current portion of Long-term borrowings)	2,450 (100)	132	—	—	4,911	5,043
Total	¥ 138,969	¥ 132	¥ 146,911	¥ 1,438	¥ 4,911	¥ 153,392

2010	Obligations secured by pledged assets	Pledged assets (Thousands of U.S. dollars): Cash on hand and in banks	Trading securities	Investment securities	Other assets (Other)	Total
Short-term borrowings	**$ 1,063,306**	**$ —**	**$ 1,131,436**	**$ —**	**$ —**	**$ 1,131,436**
Payables related to margin transactions	**52,698**	**—**	**—**	**—**	**—**	**—**
Deposits received for securities loaned	**1,152,092**	**—**	**1,117,773**	**—**	**—**	**1,117,773**
Securities sold under repurchase agreements	**1,254,782**	**—**	**1,252,223**	**—**	**—**	**1,252,223**
Long-term borrowings (Current portion of Long-term borrowings)	**33,964 (1,182)**	**1,571**	**—**	**—**	**59,742**	**61,313**
Total	**$ 3,556,842**	**$ 1,571**	**$ 3,501,432**	**$ —**	**$ 59,742**	**$ 3,562,745**

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

	(Millions of yen) 2010	(Millions of yen) 2009	(Thousands of U.S. dollars) 2010
Stocks received as collateral from customers under self-financing margin transactions	**¥ 3,854**	¥ 2,156	**$ 41,423**
Stocks received as collateral from customers for securities borrowed	**2,949**	788	**31,691**

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

	(Millions of yen) 2010	(Millions of yen) 2009	(Thousands of U.S. dollars) 2010
Cash in banks	**¥ 300**	¥ 300	**$ 3,224**
Trading securities	**5,914**	4,788	**63,566**
Property and equipment	**288**	294	**3,100**
Investment securities	**—**	2,538	**—**
Stocks received from self-financing on margin transactions	**82**	61	**880**

(*3) "Cash on hand and in banks" and "Other assets (Other)" pledged as guarantee for long-term debts are beneficiary certificates of investments trust, which include "Accrued and other liabilities (Other)" of ¥55 million ($595 thousand).

(2) The fair value of securities pledged and received as collateral at March 31, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Pledged securities:			
Securities loaned to customers for margin transactions	**¥ 3,357**	¥ 4,147	**$ 36,086**
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transactions	**6,377**	3,794	**68,542**
Securities loaned for collateralized short-term financing agreements	**106,976**	16,779	**1,149,780**
Securities pledged related to securities sold under repurchase agreements	**116,507**	29,629	**1,252,223**
Securities pledged as collateral for short-term guarantees	**10,433**	11,226	**112,139**
Securities pledged as collateral for long-term guarantees	**—**	24	**—**
Received securities:			
Securities received from customers for loans under margin transactions	**¥ 21,054**	¥ 12,269	**$ 226,290**
Securities borrowed from finance companies or securities exchange brokers for margin transactions	**15,339**	8,571	**164,866**
Short-term securities borrowed	**167,133**	90,431	**1,796,356**
Securities purchased under resell agreement	**78,616**	—	**844,975**
Securities received as collateral for short-term guarantees	**36,622**	32,985	**393,614**
Other	**722**	161	**7,759**

9. Investment property

On November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". The Group applied the new accounting standard and guidance effective from the year ended March 31, 2010.

The Company holds some rental properties such as office buildings in Aichi Prefecture and other areas. Net of rental income and rental costs for those rental properties was ¥253 million ($2,714 thousand) for the fiscal year ended March 31, 2010.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

(Millions of yen)

Carrying amount			Fair value
April 1, 2009	Increase/ Decrease	March 31, 2010	March 31, 2010
¥ 6,564	¥ 660	¥ 7,224	¥ 6,942

(Thousands of U.S. dollars)

Carrying amount			Fair value
April 1, 2009	Increase/ Decrease	March 31, 2010	March 31, 2010
$ 70,553	$ 7,091	$ 77,644	$ 74,616

Notes:

1) Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2) Increase during the fiscal year ended March 31, 2010 primarily represents the acquisition of certain properties of ¥863 million ($9,274 thousand), and decrease primarily represents the depreciation of ¥203 million ($2,183 thousand).

3) Fair value of properties as of March 31, 2010 is measured by the Group in accordance with its Real-estate Appraisal Standard.

10. Retirement benefits

The Company and its domestic subsidiaries have a 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 ¥95 million ($1,025 thousand) and ¥275 million were included in "Liability for retirement benefits" on the consolidated balance sheets as of March 31, 2010 and 2009, respectively.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Group as of March 31, 2010 and 2009:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Projected benefit obligations	¥ **(10,526)**	¥ (10,240)	$ **(113,133)**
Plan assets including benefit trusts	**6,743**	5,348	**72,478**
Unfunded retirement benefit obligation	**(3,783)**	(4,892)	**(40,655)**
Unrecognized net actuarial differences	**2,303**	4,015	**24,746**
Net liability for retirement benefits	¥ **(1,480)**	¥ (877)	$ **(15,909)**

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 were outlined as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Service cost	¥ **659**	¥ 678	$ **7,082**
Interest cost	**191**	189	**2,050**
Expected return on plan assets	**(75)**	(133)	**(805)**
Amortization of actuarial differences	**518**	314	**5,568**
Net periodic expenses	¥ **1,293**	¥ 1,048	$ **13,895**
Contribution to defined contribution benefit plan	**180**	172	**1,938**
Total	¥ **1,473**	¥ 1,220	$ **15,833**

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rates	**2.00%**	2.00%
Expected rate of return on plan assets	**2.00%**	2.00%
Amortization period of actuarial differences	**10 years**	10 years

11. Equity

Since May 1, 2006, Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, 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 Companies Act 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 Companies Act 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 net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are now presented as a separate component of equity. The Companies Act 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.

12. Stock options

The stock options outstanding as of March 31, 2010 were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2009-1	2 directors 4 officers 13 employees 18 directors and advisors of subsidiaries 106 employees of subsidiaries	667,000 shares	August 31, 2009	¥358 ($3.85)	From September 1, 2011 To August 31, 2014
2009-2	3 officer and advisor 19 employees	100,000 shares	December 29, 2009	¥378 ($4.06)	From January 1, 2012 To December 31, 2014

The stock option activity was as follows:

For the year ended March 31, 2010	2009-1 option (Shares)	2009-2 option (Shares)
Non-vested		
March 31, 2009 – Outstanding	-	-
Granted	667,000	100,000
Canceled	-	-
Vested	-	-
March 31, 2010 - Outstanding	667,000	100,000
Exercise price	¥358 ($3.85)	¥378 ($4.06)
Fair value price at grant date	¥ 84.20 ($0.90)	¥ 86.69 ($0.93)

The assumption used to measure fair value of 2009 Stock Option

	2009-1 option	2009-2 option
Estimate method:	Black-Scholes option pricing model	
Volatility of stock price:	46.85%	44.17%
Estimated remaining outstanding period:	3.51 years	3.51 years
Estimated dividend:	¥12 per share	¥12 per share
Interest rate with risk free:	0.39%	0.30%

13. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	(Millions of yen)				(Thousands of U.S. dollars)	
		2010		2009		2010
Deferred tax assets:						
Retirement benefits to employees	¥	**2,138**	¥	1,915	$	**22,979**
Allowance for doubtful accounts		**239**		277		**2,564**
Loss on devaluation of investment securities		**344**		563		**3,693**
Loss on impairment of fixed assets		**843**		1,419		**9,064**
Statutory reserves		**122**		143		**1,307**
Retirement benefits to directors and corporate auditors		**103**		112		**1,110**
Employees' bonuses		**834**		337		**8,960**
Enterprise tax payable		**532**		7		**5,722**
Other		**1,235**		371		**13,279**
Sub total		**6,390**		5,144		**68,678**
Tax loss carried forward		**974**		1,344		**10,467**
Deferred tax assets		**7,364**		6,488		**79,145**
Valuation allowance		**(3,510)**		(3,432)		**(37,721)**
Total deferred tax assets	¥	**3,854**	¥	3,056	$	**41,424**
Deferred tax liabilities:						
Gain on contribution of securities to employees’ retirement benefit trust	¥	**1,253**	¥	1,253	$	**13,468**
Net unrealized gain on available-for-sale securities		**0**		0		**0**
Other		**13**		154		**141**
Deferred tax liabilities		**1,266**		1,407		**13,609**
Valuation allowance		**(0)**		(0)		**(0)**
Total deferred tax liabilities	¥	**1,266**	¥	1,407	$	**13,609**
Net deferred tax assets	¥	**2,588**	¥	1,649	$	**27,815**

A reconciliation between the effective income tax rate reflected in the accompanying consolidated statements of income and the effective statutory tax rate for the year ended March 31, 2009 was as follows:
Such information for the year ended March 31, 2010 is not presented as the difference is less than 5% of the effective statutory tax rate.

	2009
Effective statutory tax rate	39.55%
increase (decrease) due to:	
Permanent differences, such as entertainment expenses	8.22
Inhabitants tax per capita levy	2.59
Gain on change in interest in an equity investee	(45.81)
Equity in losses of affiliate companies	8.81
Valuation allowance	(9.18)
Adjustment for unrealized profit resulting from transactions within the Group and other - net	(4.94)
Effective income tax rate	(0.76)%

14. Lease transactions

As discussed in Note 2 (k), the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on a "as if capitalized" basis for the years ended March 31, 2010 was as follows:

Acquisition cost, accumulated depreciation and net book value:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Acquisition cost	**¥ 86**	¥ 147	**$ 923**
Accumulated depreciation	**67**	103	**723**
Net book value at year end	**¥ 19**	¥ 44	**$ 200**

Obligations under finance leases:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Due in one year or less	**¥ 15**	¥ 27	**$ 162**
Due after one year	**6**	20	**59**
Total	**¥ 21**	¥ 47	**$ 221**

Depreciation expense, interest expense and other information under finance leases:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Depreciation expense	**¥ 25**	¥ 39	**$ 267**
Interest expense	**2**	5	**26**
Total	**¥ 27**	¥ 44	**$ 293**
Lease payments	**¥ 29**	¥ 46	**$ 311**

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.

15. Financial instruments and related disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. TTS Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

The Group own financial instruments in conducting the financial instruments trading business such as trading securities, intermediary of trading of securities, underwriting and offer of securities, solicitation and offer of securities, private offer of securities and other financial instruments trading business including services related or incidental to financial instruments trading business.

Also, to raise funds for the operation of financial instruments trading business, in addition to the indirect financing such as bank loans, the Group issues commercial paper, taking into account the market conditions and the balance of maturities of loans.

(2) Nature and extent of risks arising from financial instruments

The financial assets and liabilities held by the Group are comprised of followings:

(a) Securities such as stocks and bonds held for trading with customers or for proprietary trading; derivatives publicly traded on exchanges such as futures and options based on stock price indices and futures and options based on bonds; derivatives traded on outside exchanges, such as bonds with options, over-the-counter securities options, foreign exchange forward contracts, currency rate swaps, interest rate swaps; and securities such as stock held for investment;

(b) Loan receivables from customers related to margin transactions, borrowings from securities finance company incidental to the loan receivables; and

(c) Deposit paid for securities borrowed / deposit received for securities loaned based on the collateralized financing agreement with institutional investors; loan receivables as considerations for purchases of bonds under resell agreements / borrowings as proceeds from sale of securities under repurchase agreements.

The securities held and transaction balances of derivatives are exposed to market risks triggered by changes in market values of stock, interest rate and foreign exchange rate. Receivables related to margin transactions, deposits paid for securities borrowed, loan receivables for purchases of bonds under resell agreements and over-the-counter derivative transactions are exposed to the credit risks that occur when counterparties of transactions becomes in default of contracts. In addition, due to a lack of liquidity, a part of these financial instruments are exposed to market liquidity risks that trigger losses due to market turmoil, resulting in the inability to transact in the market or transactions at the significantly unfavorable price.

Also, with regards to the funding side, the Group owes financial liabilities such as commercial paper and borrowings from financial institutions. As a result of downturn in our business or other reasons, these financial instruments are exposed to liquidity risk resulting in encountering an obstacle to raising the fund or being forced to borrow at significantly higher interest rate than usual, leading to the loss.

(3) Risk management for financial instruments

(a) Comprehensive risk management

Due to the complexity and diversification of product line such as rapid advances of derivative transactions, the Company regards market, credit and liquidity risk management as being extremely important in conducting our financial instruments trading operation, the main business line of our group. The Company puts risk management for entire group and each group company as one of the first priority challenges of business. The Company established risk management basic policy in order for us to control appropriately by identifying, analyzing, and managing risks at own responsibility of each group company and to maintain soundness of business for a long period of time.

In accordance with this risk management basic policy, Total Risk Management Committee is set up to provide the framework for securing financial soundness and profits through gathering, managing and controlling information on various risks inhering within our group or each group. The committee discusses risk management within our group, status of compliance and disaster risk management.

Total Risk Management Committee is held monthly to monitor the implementation status and to provide the framework of reporting of necessary information to board of directors.

(b) Management of market risk

Tokai Tokyo Securities, a class I financial instruments trader in our group, sets basic policies relating to market risk management based on our risk management rules and manages the proprietary trading operations conducted by investment banking division.

The board of directors of Tokai Tokyo Securities sets market risk limit within the ceiling of risk that is derived by “target of controlled equity ratio” that should be maintained minimally.

In addition, in order to structure management system that checks excessive risk taking actions, Tokai Tokyo Securities also enhances functions of overall risk management including; to the extent of market risk limit of Group, Risk Management Committee restricts the market risk by setting the VaR (Value at Risk) based position limit on each department holding the proprietary trading positions, taking into account the budget and profits performance of each department; setting loss limits and alert line of losses for each department during the period in order to prevent increasing the losses; and maintain our internal rules.

The management method of market risk for the positions held by dealing department and trading department includes; management based on VaR (10 days holding period with confidence interval of 99%, observation period 750 days) computed using historical simulation method; measurement of stress value (one day and 10 days holding periods, observation period 750 days); stress test assuming unforeseeable market swings in the past such as Lehman Shock; and daily back test of relationship between the VaR (holding period one day) data and daily profit/loss data.

The risk limit set and allocated to related departments, uses of loss limit, profit and loss, result of stress tests and status of market liquidity risk positions are analyzed, managed on a daily basis and reported to top management by organizationally and physically independent department from proprietary dealing department. Also, analysis of market risk management and overall report are made at Risk Management Committee on a monthly basis.

In addition, status of market risk management is reported monthly to the board of directors.

(c) Credit risk management

Based on our risk management rules, Tokai Tokyo Securities, a class I financial instruments trader in our group, controls the risk of suffering damages arising from default of contract by counterparties of transactions or other reasons within the predetermined limit. The Risk Management Committee manages risks by setting credit risk limits on each financial product. Further, credit risk limit is also set on each counterparty of transaction.

Depending upon the nature of products, current exposure method or potential exposure method is adopted in calculating credit risks. The credit risk is analyzed and managed on a daily basis and reported to top management by the department organizationally and physically independent from execution department. Also, status of credit risk management and overall report are made at Risk Management Committee on a monthly basis. In addition, status of credit risk management is reported monthly to the board of directors.

(d) Liquidity risk management

Based on our liquidity risk management rules, the Company and Tokai Tokyo Securities, a class I financial instruments trader, set and operate basic policies for risk management framework of appropriate funding.

The Company develops the strategy for the liquidity risk of funding through gathering and analyzing information such as stock price and reputation to recognize and assess liquidity risks for funding that may impact on our funding. To manage funding risk, the Company will implement necessary measures, taking into account the situation in managing the funding risk depending upon the possibility of cash flow problems of consolidated subsidiaries impacting on our funding based on the subsidiaries' performances.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 16 for the detail of fair value for derivatives.

(a) Fair values of financial instruments

The carrying amounts, aggregate fair values, and net unrealized gains (losses) of financial instruments at March 31, 2010 were as follows:

March 31, 2010	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Cash and time deposits	¥ 63,092	¥ 63,092	¥ —
Cash segregated as deposits related to securities transactions	19,675	19,675	—
Deposits paid for securities borrowed	166,792	166,792	—
Securities purchased under resell agreement	79,203	79,203	—
Trading securities	245,276	245,276	—
Derivative assets	1,920	1,920	—
Receivables from brokers, dealers and clearing organizations	7,986	7,986	—
Receivables from customers	411	411	—
Receivables related to margin transactions	36,043	36,043	—
Short-term investment securities	100	100	—
Investment securities	4,535	4,535	—
Lease deposits	3,735	3,672	(63)
Assets total	¥628,768	¥628,705	¥ (63)
Short-term borrowing	¥150,615	¥150,615	¥ —
Commercial Paper	11,300	11,300	—
Long-term borrowing	3,050	3,058	(8)
Trading securities	107,615	107,615	—
Derivative liabilities	1,677	1,677	—
Deposits received for securities loaned	107,191	107,191	—
Securities sold under repurchase agreement	116,745	116,745	—
Payables to brokers, dealers and clearing organizations	6,151	6,151	—
Payables to customers	20,305	20,305	—
Payables related to margin transactions	9,150	9,150	—
Income taxes payable	5,874	5,874	—
Liabilities total	¥539,673	¥539,681	¥ (8)

March 31, 2010	Carrying amount	Fair value	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Cash and time deposits	$ 678,119	$ 678,119	$ —
Cash segregated as deposits related to securities transactions	211,466	211,466	—
Deposits paid for securities borrowed	1,792,690	1,792,690	—
Securities purchased under resell agreement	851,283	851,283	—
Trading securities	2,636,245	2,636,245	—
Derivative assets	20,642	20,642	—
Receivables from brokers, dealers and clearing organizations	85,835	85,835	—
Receivables from customers	4,415	4,415	—
Receivables related to margin transactions	387,392	387,392	—
Short-term investment securities	1,074	1,074	—
Investment securities	48,738	48,738	—
Lease deposits	40,144	39,472	(672)
Assets total	$6,758,043	$6,757,371	$ (672)
Short-term borrowing	$1,618,814	$1,618,814	$ —
Commercial Paper	121,453	121,453	—
Long-term borrowing	32,781	32,864	(83)
Trading securities	1,156,656	1,156,656	—
Derivative liabilities	18,028	18,028	—
Deposits received for securities loaned	1,152,092	1,152,092	—
Securities sold under repurchase agreement	1,254,782	1,254,782	—
Payables to brokers, dealers and clearing organizations	66,109	66,109	—
Payables to customers	218,240	218,240	—
Payables related to margin transactions	98,351	98,351	—
Income taxes payable	63,133	63,133	—
Liabilities total	$5,800,439	$5,800,522	$ (83)

Methods for determining fair values of financial instruments are as follows:

Cash and time deposits, Cash segregated as deposits related to securities transactions, Deposits paid for securities borrowed, Securities purchased under resell agreement, Receivables from brokers, dealers and clearing organizations, and Receivables related to margin transactions

The carrying values of these financial instruments approximate fair values because they settle in a short period.

Trading securities, Derivative assets, and Derivative liabilities

The fair values of these financial instruments are determined in accordance with the internal rules.

Short-term investment securities and Investment securities

The fair values of these financial instruments are measured at the quoted market price in active markets, in accordance with the internal rules.

Lease deposits

The fair values of Lease deposits are determined by discounting principally the lease deposits relating to premises at the yield of the government bonds with the same maturity as the contract period of the premises.

Short-term borrowing, Commercial paper, Deposits received for securities loaned, Securities sold under repurchase agreement, Payables to brokers, dealers and clearing organizations, Payables to customers, Payables related to margin transactions, and Income taxes payable

The carrying values of these financial instruments approximate fair values because they settle in a short period.

Long-term borrowing

The fair value of Long-term borrowing is measured at the amount of principal plus interest to be paid at maturity discounted at the Group's assumed corporate borrowing rate, as the borrowing rate is fixed.

Derivatives

The information of the fair value for derivatives is included in Note 16.

(b) Financial instruments whose fair values cannot be reliably determined

March 31, 2010	Carrying amount (Millions of yen)	Carrying amount (Thousands of U.S. dollars)
Investment in affiliates	¥ 3,999	$ 42,980
Available-for-sale securities		
Stocks (non-listed)	3,802	40,859
Other	1,181	12,699
Total	¥ 8,982	$ 96,538

The fair values of unlisted stocks are not included under "Short-term investment securities" or "Investment securities" in the table (a), as they do not have a quoted market price in active markets, the amount of future cash flows cannot be estimated, and whose fair values cannot be reliably determined.

(5) Maturity analysis for financial assets and securities with contractual maturities

	(Millions of yen)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposit	¥ 1,282	¥ —	¥ —	¥ —
Short-term investment securities and Investment securities				
Available-for-sale Securities with maturity date				
Government Bonds	110	—	—	—
Total	¥ 1,392	¥ —	¥ —	¥ —

	(Millions of yen)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposit	$ 13,784	$ —	$ —	$ —
Short-term investment securities and Investment securities				
Available-for-sale Securities with maturity date				
Government Bonds	1,182	—	—	—
Total	$ 14,966	$ —	$ —	$ —

Please see Note 7 for annual maturities of long-term debt and Note 14 for obligations under finance leases, respectively.

16. Commitments and contingent liabilities

Contingent liabilities as of March 31, 2010 are summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Guarantees for employees' borrowings from a financial institution	¥ 9	$ 97

17. Commissions

Commissions earned for the years ended March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Brokerage	**¥ 10,163**	¥ 11,535	**$ 109,236**
Underwriting and distribution	**13,900**	5,712	**149,400**
Other	**5,610**	7,699	**60,291**
Total	**¥ 29,673**	¥ 24,946	**$ 318,927**

18. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Employees' compensation and benefits	**¥ 24,083**	¥ 20,461	**$ 258,844**
Brokerage and other commissions	**3,323**	2,164	**35,711**
Communication and transportation	**2,952**	2,823	**31,731**
Real estate expenses	**5,886**	5,909	**63,261**
Data processing and office supplies	**4,308**	5,416	**46,300**
Taxes other than income taxes	**714**	458	**7,679**
Depreciation	**1,078**	1,114	**11,589**
Amortization	**1,659**	1,342	**17,833**
Other	**2,591**	2,860	**27,847**
Total	**¥ 46,594**	¥ 42,547	**$ 500,795**

19. Other income and expenses

The components of "Other, net" in the consolidated statements of income for the years ended March 31, 2010 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	**2010**
Dividend income	**¥ 309**	¥ 264	**$ 3,322**
Rent income	**630**	362	**6,768**
Equity in gains (losses) of an affiliated company	**384**	(543)	**4,129**
Net (loss) gain on sales and devaluation of investment securities	**(228)**	486	**(2,455)**
Reversal of statutory reserves	**54**	652	**578**
Gains on transfer of business	**—**	264	**—**
Gains on change in interest in an equity investee	**—**	2,825	**—**
Losses on disposal of fixed assets	**(94)**	(1,276)	**(1,005)**
Other(*1)	**209**	302	**2,243**
Total	**¥ 1,264**	¥ 3,336	**$ 13,580**

(*1) Amortization of negative goodwill included in “Other” amounted to ¥47 million ($502 thousand) and ¥19 million for the years ended March 31, 2010 and 2009, respectively.

20. Per share information

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 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, 2010:				
Basic EPS				
Net income available to common shareholders	**¥ 7,161**	**271,957**	**¥26.33**	**$ 0.28**
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 2,483	265,421	¥ 9.35	

Diluted net income per share for the years ended March 31, 2010 is not disclosed because it is anti-dilutive. Information on diluted EPS for the year ended March 31, 2009 is not presented, as there were no dilutive shares outstanding as of March 31, 2009.

21. 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 year ended March 31, 2010 was as follows:

(Millions of yen)

	2010				
	Japan	Europe	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ **56,620**	¥ **381**	¥ **109**	¥ **(−)**	¥ **57,110**
Inter area transfer	**(71)**	**(35)**	**184**	**(78)**	**−**
Total sales	**56,549**	**346**	**293**	**(78)**	**57,110**
Operating expenses	**46,147**	**247**	**278**	**(78)**	**46,594**
Operating income	¥ **10,402**	¥ **99**	¥ **15**	¥ **(−)**	¥ **10,516**
Total assets	¥ **664,634**	¥ **142,938**	¥ **1,333**	¥ **(144,138)**	¥ **664,767**

Such information for the year ended March 31, 2009 was omitted because the "Japan" segment accounted for more than 90% of both total consolidated net sales and total assets.

(Thousands of U.S. dollars)

	2010				
	Japan	Europe	Others	Eliminations/ Corporate	Consolidated
Sales to customers	$ **608,556**	$ **4,095**	$ **1,175**	$ **(−)**	$ **613,826**
Inter area transfer	**(757)**	**(381)**	**1,975**	**(837)**	**−**
Total sales	**607,799**	**3,714**	**3,150**	**(837)**	**613,826**
Operating expenses	**495,994**	**2,655**	**2,983**	**(837)**	**500,795**
Operating income	$ **111,805**	$ **1,059**	$ **167**	$ **(−)**	$ **113,031**
Total assets	$ **7,143,535**	$ **1,536,303**	$ **14,324**	$ **(1,549,204)**	$ **7,144,958**

(3) Overseas sales

Overseas sales for the years ended March 31, 2010 and 2009 have been omitted because they accounted for less than 10% of consolidated net sales.

22. Subsequent event

(1) A capital increase of a consolidated subsidiary of the Company through a third party allotment and a change in the scope of consolidation

A resolution was passed at the Board of Directors' meeting of Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. ("Nishi-Nippon City TT Securities"), a consolidated subsidiary of the Company, held on March 23, 2010, that the share capital of Nishi-Nippon City TT Securities be increased through a third party allotment to The Nishi-Nippon City Bank, Ltd. ("Nishi-Nippon City Bank"), and the capital increase and allotment were completed on May 6, 2010.

Outline of the capital increase

(a) Subscription and allotment of new shares: By a third party allotment

(b) Number of shares newly issued: Common stock; 2,550 shares

(i) Issue price; ¥1 million ($11 thousand) per share

(ii) Total issue price; ¥2,550 million ($27,408 thousand)

(iii) Amount capitalized;
Common stock, ¥1,275 million ($13,704 thousand)
Capital surplus, ¥1,275 million ($13,704 thousand)

(c) Due date for payment: May 6, 2010

(d) Outline and purpose of the transactions:
The Company and Nishi-Nippon City Bank established a new securities company, Nishi-Nippon City TT Securities. The new securities company aims to become the most preferred securities company in Fukuoka Prefecture, which has a population of over five million and is the economic center of Kyushu. The new company will leverage Nishi-Nippon City Bank's network of branches, which covers the entire Fukuoka Prefecture, its solid customer base, and its community-based, well-recognized brand. The new company will also benefit from the advanced expertise and resource that Tokai Tokyo Securities, a wholly owned subsidiary, has developed as an independent full-line securities company.
Financial instruments business at Fukuoka Branch of Tokai Tokyo Securities was spun off and transferred to Nishi-Nippon City TT Securities effective May 6, 2010 to concentrate management resources, as well as to maximize the effect of the business alliance with Nishi-Nippon City Bank, and to provide better services and increased convenience to customers in Fukuoka area.

Assets and liabilities spun off and transferred were as follows:

Assets	(Millions of yen)		(Thousands of U.S. dollars)	
Cash on hand and in banks	¥	0	$	2
Cash segregated as deposits related to financial instruments business		218		2,341
Receivables related to margin transactions		28		298
Others		0		3
Total current assets		246		2,644
Property and equipment		7		73
Intangible assets		3		40
Investments and other assets		28		300
Total fixed assets		38		413
Total	¥	284	$	3,057

Liabilities	(Millions of yen)		(Thousands of U.S. dollars)	
Payables to customers	¥	201	$	2,166
Payables related to margin transactions		28		298
Guarantee deposits received		16		175
Others		0		0
Total current liabilities		245		2,639
Total	¥	245	$	2,639

The Company and Nishi-Nippon City Bank concluded a Shareholders' Agreement on March 25, 2010 and agreed that, immediately upon completion of the corporate sprit, Nishi-Nippon City Bank will subscribe for all the shares issued by Nishi-Nippon City TT Securities, and that the Company and Nishi-Nippon City Bank will jointly establish a securities subsidiary. Nishi-Nippon City TT Securities implemented the capital increase through a third party allotment to Nishi-Nippon City Bank on May 6, 2010.

(e) Gain on change in interest in an equity investee:
In the consolidated financial statements of the Company for the next consolidated fiscal year, Nishi-Nippon City TT Securities will be included in the scope of equity method affiliates due to a decrease in shareholding ratio of the Company as a result of the capital increase through a third party allotment, and approximately ¥0.6 billion ($6,449 thousand) of "gains on change in interest in an equity investee" (other income) will be recognized.

(2) Appropriation of Retained Earnings

On June 29, 2010, the shareholders approved the appropriation of retained earnings as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Cash dividends (¥9.00＝$0.09 per share)	¥	2,517	$	27,052

Company Information

Corporate Directory (as of June 29, 2010)

Company Name	Tokai Tokyo Financial Holdings, Inc.
Head Office	6-2, Nihonbashi 3-chome, Chuo-ku,Tokyo 103-0027, Japan Tel: +81-3-3517-8100 (General Inquiries) Fax: +81-3-3517-8314
Date Established	June 19, 1929
Paid-in Capital	¥36,000,000,000
Total Outstanding Shares	280,582,115 shares (as of March 31, 2010)
Number of Employees (Consolidated base)	2,194 (as of March 31, 2010)

Board of Directors and Statutory Auditors (as of June 29, 2010)

Directors	Tateaki Ishida, President & CEO
	Tadashi Kaneko, Executive Vice President & Representative Director
	Masaaki Takeda, Director & Senior Managing Executive Officer
	Ikuo Suzuki, Director
	Takeshi Suzuki, Director
	Nobuhiro Morisue, Director
Statutory Auditors	Kazue Kobayashi (full-time)
	Hiroichi Wakita
	Shigeo Kashiwagi
	Kazuyoshi Tanaka
	Eiichiro Kinoshita

(Notes) Ikuo Suzuki, Takeshi Suzuki and Nobuhiro Morisue are outside directors stipulated in paragraph 15, Article 2, of the Company Law.

(Notes) Shigeo Kashiwagi, Kazuyoshi Tanaka and Eiichiro Kinoshita are outside auditors stipulated in paragraph 16, Article 2 of the Company Law.

Subsidiary And Affiliates (as of April 1, 2009)

Overseas Subsidiary	Tokai Tokyo Securities (Asia) LTD. Rooms 2103-4, Wing On Centre, 111 Connaught Road, Central, 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	Tokai Tokyo Securities Co., Ltd.
	Utsunomiya Securities Co., Ltd.
	Tokai Tokyo Investment Management Co., Ltd.
	Tokai Tokyo Finance & Real Estate Co., Ltd.
	Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.
	Tokai Tokyo Investment Co., Ltd.
	Tokai Tokyo Research Center Co., Ltd.
	Tokai Tokyo Services Co., Ltd.
	Tokai Tokyo Business Service Co., Ltd.
	YM Securities Co., Ltd.
	Hamagin Tokai Tokyo Securities Co., Ltd.
	Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.

Major Shareholders (as of March 31, 2009)

Shareholder Name	Percentage of Shares Outstanding (%)
Mitsui Sumitomo Insurance Co., Ltd.	10.19
Japan Trustee Services Bank, Ltd. (Trust Account)	7.62
Toyota Financial Services Corporation	5.11
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.82
Meiji Yasuda Life Insurance Company	1.79
The Chuo Mitsui Trust and Banking Company, Ltd.	1.72
The Chase Manhattan Bank NA London SL Omnibus Account	1.54
Japan Trustee Services Bank, Ltd. (Trust Account for The Sumitomo Trust and Banking Co., Ltd. retirement benefit trust account for Toyota Motor Corporation)	1.24
State Street Bank and Trust Company 505223	1.22

Note: Percentage of shares outstanding is caluculated with treasury stock being subtracted from the total number of issued shares.

TOKAI TOKYO FINANCIAL HOLDINGS, INC.
6-2, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027 Japan
www.tokaitokyo-fh.jp