ANNUAL REPORT 2013

For the Fiscal Year Ended March 31, 2013

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, 2013, the Tokai Tokyo Financial Group consists of Tokai Tokyo Financial Holdings, 9 subsidiaries and three equity method affiliates in Japan, and four overseas subsidiaries. The group focuses on the securities business and provides financial products, services, and solutions that meet the needs of customers.

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Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Total revenues	**¥ 67,855**	¥ 52,632	**$ 721,476**
Operating income	**15,252**	3,363	**162,171**
Net income	**11,273**	2,546	**119,865**
Total assets	**630,062**	641,216	**6,699,221**
Total equity	**122,397**	110,259	**1,301,405**
Per share of common stock	Yen		U.S. dollars
Basic net income	**¥ 42.74**	¥ 9.45	**$ 0.45**
Cash dividends applicable to the year	**16.00**	8.00	**0.17**

Note: U.S. dollar amounts are translated for convenience only at the rate of ¥94.05=U.S.$1.00.

To Our Shareholders

First, I would like to express my heartfelt appreciation to the valued shareholders who have extended unchanging support to us. Now, I am pleased to be able to update you briefly on our consolidated group performance result for the fiscal year ended in March 2013. To sum up the result, I would say that we have achieved a significant advance both in revenue generation and profit making, which, I believe, is well demonstrated by the following set of numerals; We generated ¥67,855 million Total revenues and this figure represents 28.9% improvement over the last fiscal year while we made ¥15,252 million Operating income that translates to a remarkable 353.5% leap likewise. Moreover, we posted ¥11,273 million Net income, making 342.8% jump over a year ago a reality.

Looking over the past fiscal year, I think we can describe our operating environment in a short analysis progressively as you find below;
During the 1st and 2nd Quarters (that ran April through September 2012), we recognized heightened risk averseness of investors being wary of credit uncertainty in Europe. Further, we found such trend lasting into the 3rd Quarter (October through December 2012) with the market prospect remaining yet opaque. In the middle of November 2012, however, the stock price started ascending move triggered by the Lower House dissolution. Then, as we observe, the formation of new cabinet as a result of General Election in December, gave rise to a rapid progress of both Yen depreciation and stock price upturn assisted by the expectation of the new administration’s policies for solving deflation. As such, the business confidence felt in general immediately turned around toward the 4th Quarter (January through March 2013)

Assisted by the above mentioned improving market environment and as the reward for the measures we have taken such as product lineup diversification, we were able to boost substantially our performance. Now, turning to the next fiscal year ending in March 2014, we will steadily keep working with an aim to establish the presence of one unique financial group. Toward this end, we specifically set a goal in our management plan, “Ambitious 5” to achieve “Asian 10” ranking or top-ten status among Asian financial institutions engaged primarily in securities brokerage operation. We would appreciate if you could continue extending your warm support to us in such an endeavor.

Tateaki Ishida
President & CEO

The Fiscal Year Ending in March 2013

The Year of Payoff on Strategically Formulated Actions

The foremost characteristic to note about the financial result of the year is the increased revenue weight of Chubu region among all other geographic markets of Tokai Tokyo Securities. Such Chubu’s emergence is resulted from our intensive management resource allocation to the region in an attempt to build decisive presence there.
The other attribute, besides the generic revenue expansion under favorable market environment, would be the significant revenue growth attained from market-based operations aided by the increased transactions sourced from JV securities affiliates we established jointly with regional banks. This growth was made possible by the various measures we have taken with an aim to upgrade our capability to weather and negotiate market changes.

The Progress on Our Management Plan, “Ambitious 5” and Its Prospect

We launched the new 5-year management plan, “Ambitious 5” in April 2012. Under the plan, we set a target of ‘Asian 10’, aspiring to be ranked within top 10 in Asia and we are currently working on the following five themes to accomplish the target; Community and the Middle (Focusing on selected geographic market and customer segment), Alliance and Platform (Aggressive Expansion of Business Foundation Through the Use of Alliance and Platform Resources), Expertise (Encouraging Professional Skill Development), Humanity (Respecting Warmth and Thoughtfulness at Workplace) and Risk Management (Upgrading Risk Management Capability)

Alliance and Platform (Aggressive Expansion of Operating Foundation Through the Use of Alliance and Platform Resource)

The Expansion of Operating Foundation through Cooperation with Regional Banks

During the subject fiscal year, we reached agreement with Senshu Ikeda Holdings, Inc. regarding the establishment of securities firm in the form of joint capital contribution. Senshu Ikeda Holdings, Inc. is a leading independent financial group in Kansai area and we, Tokai Tokyo Financial Group, will pursue further operating foothold through the cooperation with the subject group.
To grow business foundation by forming alliance with regional banks means to us an important pillar in the context of “Ambitious 5” plan and we have already built JV securities firms by way of joint capital contribution with such regional banks as Yamaguchi Financial Group, The Bank of Yokohama and Nishi-Nippon City Bank. Furthermore, adding another one in pipeline, a JV with Senshu Ikeda Holdings, Inc., we will have completed launching the operation of four JV securities firms in the aggregate by the fiscal year-end of 2013. We will continue the expansion efforts through the alliance with other regional banks under “Ambitious 5” management plan.

Promotion of Platform Resource Offering to Securities Firms

During the subject fiscal year, we have stepped up platform marketing in full swing and achieved solid performance. Platform resource, we wholesale, include such products and services as foreign stocks and structured bonds, economic research, employee training and ICT system that all serve as the required infrastructure components to run securities brokerage operation. Over the fiscal year, we have increased steadily both the number of contracted service recipients and the handling volume of such products and services. We will further improve the quality of service while growing the operating quantity, intending to nurture this business segment to the second pillar of our growth strategy.

Building Overseas Network Covering Chiefly Asia

Our group is enhancing overseas network coverage as part of business foundation expansion. During the fiscal year, we have concluded cooperative arrangement with Philip Securities, who has a base in Singapore as the country’s largest independent securities house and owns a wide operating network in ASEAN region. The new arrangement now made it possible for us to deal in wider variety of ASEAN equities. But, we do not stop here. We keep constantly broadening the scope of the information service and the stock we are able to handle to meet the need of our customers in Japan by arranging cooperative agreement in place with various financial institutions located in Asian countries such as Vietnam, China, Korea and India in addition to Singapore and Hong Kong. Looking forward, we will begin setting ourselves ready to harvest the fruit of the growth in Asia by closely examining the feasibility of further network spreading in Philippines and India.

Community and the Middle (Focusing on selected geographic market and customer segment)

With respect to our strategy in Chubu region, we set our eyes on potential future customers starting investment for their lifetime saving, besides grabbing tightly the existing cluster of high wealth customers.

In Chubu region, our home turf, we will strengthen our service providing capability associated with, for instance, M&A and financing catering to the need of mid-sized corporate customers in the region while maintaining our ever-strong drive toward those of high wealth segment. With NISA, the tax exemption program for small financial investment, coming in sight, we will plow deep the potential market of novice investors to help them invest for their long term asset management purpose and we extend such efforts nationwide through our group network.

Expertise (Encouraging Professional Skill Development)

Raise the product development capability to offer the product and service that best suit to varying client need

We are devoting ourselves to upgrade professional know-how of employees by way of training sales personnel and raising product's competitiveness for the ultimate purpose of executing the above stated strategy. In order to reinforce product strategy function, we set up Product Strategy Department in April 2013.

Aim to establish the think tank that is second to none in Chubu region

In this fiscal year, we relocated headquarter of Tokai Tokyo Research Center to Nagoya intending to provide the information of better and discriminating quality and upgraded its corporate research and analytical competence. Chubu region is the home for corporate headquarters of more than 200 publicly held companies and we now place in Nagoya the team that specializes in researching such Nagoya-based companies. This regionally focused campaign appears fixing the reputation, "Go and ask Tokai Tokyo Research Center if you need corporate research data on the companies located in Chubu".

Humanity (Respecting Warmth and Thoughtfulness at Workplace)

Proactively hire and use female workforce leading industry

We respect diversity and promote making the best use of personnel with various backgrounds. Particularly, we are committed to put more female workforce to appropriate use at the group. In this conjunction, the first-ever female Executive Officer at our group started assuming her duty in April 2013. We are determined to drive us forward further for giving more opportunities to female staffs. Furthermore, we are in the midst of overhauling the human resource management practice, planning to complete the process by the end of the fiscal year 2013 that ends in March 2014. What we want to achieve is to convert our HR related practice to more flexible employment system that fits better to the present day business environment.

To our valued shareholders

Operating under our unique business model, we target at the ranking of "Asian Top 10"

Many people in our industry describe the 2013 as the year of 'Great Rotation' indicating the shift of people's investment preference from risk-off to risk-on with respect to their choice of asset. In fact, the market in Japan now stands in the middle of this Great Rotation and we hope we are able to make this year truly an electrifying one. As such, we want to feel the excitement over our achievement and say sometime near this year-end, "Yes, we made a real spectacular leap". Then, taking advantage of the potential leap, we would like to share with you, the valued shareholders, the sense of excitement by advancing ourselves closer to the target, "Asian 10" in this fiscal year under the current management plan, "Ambitious 5".

Beginning this fiscal year, we introduced the preferential system for shareholders and we reduced normal trading unit of our share from 1,000 to 100 effective this past April as a part of the relevant step. We are hoping that this change can help us win broad recognition of our stock as an attractive investment target from investors by re-aligning our stock transaction system for easy and affordable investment by personal investors.

As stated above, we pursue the target of "Asian 10" in accordance with our unique business model. I believe we can gain confidence in our future potential from many of our shareholders. I sincerely request that you kindly provide us with continuing support.

Operating Result for fiscal 2012

Operating Environment

During the consolidated fiscal year under review (April 1, 2012 to March 31, 2013), the Japanese economy moved steadily, resisting to downward pressure from such causes as sluggish external demand suppressed by the continuing debt crisis in Europe and China's tight monetary policy. Domestic demand more than counterbalanced the said negative attributes by reconstruction demand in the quake-hit regions and firm consumption of big-ticket merchandise. In September 2012, Japan's financial authorities and the counterparts in US and Europe all took monetary easing actions. The dissolution in November and the subsequent election in December of the House of Representatives raised expectations of the new administration's both monetary and fiscal policies as well as growth strategies to put deflation behind. Such circumstances led foreign exchange market to a sharp depreciation of the yen in tandem with strong stock market rally. Consumer's confidence rapidly rose counting on improving corporate earnings from profitable exports aided by weaker yen, and the announcement of raise in salary and bonuses by some corporations.

Turning to the stock market, the Nikkei Stock Average started at ¥10,100's in April 2012, but slipped later as the European debt crisis made investors become risk averse, falling briefly to ¥8,200's in June. It then bounced back to ¥9,200's in August through September reflecting the expectations for, and actual implementation of, monetary easing measures in Japan, US and Europe. Yet, worries over possible economic slowdown to be caused by stagnant external demand continued suppressing the stock market. However, the dissolution of the House of Representatives in November gave rise to the hope for the policies and strategies of new administration, and the Nikkei Average rose to ¥12,600's in March 2013, and closed the fiscal year at the level exceeding ¥12,300. The daily average transaction value on the First Section of the Tokyo Stock Exchange during the full fiscal year 2012 was ¥1,471.8 billion, surpassing the equivalent of previous fiscal year, which was ¥1,285.3 billion and heightened buying orders from foreign investors account for the increase.

In the bond market, the yield on 10-year JGB, the benchmark for long-term interest rates, had continued to drop (meaning higher bond prices) since April 2012, when it reached the level of 1.0% as more investors purchased JGB averting risk due to concerns over the European debt crisis. In the wake of the dissolution of the House of Representatives in November, weakening yen and rising stock prices then, which normally would bring together higher yield, did not work ordinarily. The difference was the prospect that the drastic monetary easing under the new administration would embrace a massive purchase of JGBs by the Bank of Japan and such expectation instead dragged the yield on 10-year JGB down to 0.51% in March 2013, and to 0.56% at the end of the fiscal year.

Under these circumstances, in October 2012, the Company, Tokai Tokyo Financial Holdings, Inc., reached a basic agreement with Senshu Ikeda Holdings, Inc. to jointly establish a securities firm, as part of its alliance strategies under the "Ambitious 5", the Group's business plan that commenced in April 2012. The Company established Senshu Ikeda Tokai Tokyo Securities Preparation Co., Ltd., a wholly owned subsidiary, in January 2013, preparing for beginning its brand-new operation sometime around September 2013. This subsidiary aims to become a foremost bank-affiliated securities firm in the region by making the most of local operating network on home turf of the partner, Senshu Ikeda Holdings, Inc., and the know-how and service capability the Company has developed.

In September 2012, Tokai Tokyo Securities Co., Ltd. (hereinafter, "Tokai Tokyo Securities"), the core company of the Group, handed over its financial instruments business, which had been run at its Yokohama Branch, to Hamagin Tokai Tokyo Securities Co., Ltd., a joint venture established by the Company and The Bank of Yokohama, Ltd., in the form of a company split.

With respect to the expansion of existing affiliates jointly created with leading regional bank groups, the following additions were achieved: YM Securities Co., Ltd., an affiliate jointly established with Yamaguchi Financial Group, Inc., opened the Hiroshima-nishi Branch in April 2012; Hamagin Tokai Tokyo Securities Co., Ltd. started operation of Consulting Booth Sagami Ohno in May; Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., a joint venture established with Nishi-Nippon City Bank, Ltd., opened the Shingu Branch in July, the Koga Satellite Booth in January 2013, and the Futsukaichi Branch in March, thus strengthening their respective networks.

Regarding overseas alliance moves, Tokai Tokyo Securities widened its stock brokerage coverage in May 2012. It now handles stocks of Southeast Asian countries through Phillip Securities Pte. Ltd., the largest independent investment banking house in Singapore who is now our business partner. Furthermore, Tokai Tokyo Securities concluded a business alliance agreement with LT Consulting Group, a China-based consulting firm in July 2012 aiming to promote jointly corporate financing business.

In the Chubu Region, our strategic gravity center, Tokai Tokyo Research Center Co., Ltd., one of the Company's subsidiaries, relocated its head office to Nagoya City in July 2012 to enhance its ability to conduct research operation on the listed companies based in the Region.

The Company has introduced a shareholder's benefit program for those listed or registered in the Shareholders' List as of March 31, 2013 who own one or more units of the Company's shares. The purpose is to make investment in the Company more attractive in order to induce more shareholders to own the Company's shares on medium- to long-term basis by prospect.
Additionally, effective April 1, 2013, the Company reduced the normal trading unit from 1,000 shares to 100, intending to make the investment in our Company easier for investors, and increase the share's liquidity ultimately to expand its investor base.

The Company group implemented structural reforms effective April 1, 2013. The Company established the Business Strategy Group with the aim of improving profitability of the Company group, while Tokai Tokyo Securities changed the name of its Head Office Sales Unit to "Wealth Management Unit", and newly established related departments for the purpose of enhancing its affluent customer sales. Thus, the organization changed itself in order to achieve the business plan, "Ambitious 5".

Analysis of Operating Result (The figures quoted here are all on consolidated basis.)
The Group produced the following consolidated operating results for the fiscal year ended March 31, 2013: Total revenues were ¥67,855 million, up 28.9% year on year; Net revenues stood at ¥65,955 million, up 29.9% year on year; and Selling, general and administrative expenses were ¥50,703 million, a rise of 7.0% year on year. Therefore, Operating income was ¥15,252 million, up 353.5% year on year; and Net income was ¥11,273 million, up 342.8%.

(Commissions)
In the consolidated fiscal year under review, Commissions increased 51.5% year on year, to ¥36,660 million, comprising the following:

(i) Brokerage:
The stocks brokerage volume handled by Tokai Tokyo Securities, a consolidated subsidiary of the Company, was 3,741 million shares, an increase of 58.5% year on year, due partly to increased transactions by individual investors; whereas the stock brokerage amount was ¥1,763.5 billion, up 48.9% year on year. As a result, stock brokerage commissions earned by the Group increased, whereas overall brokerage commissions were ¥9,995 million, up 66.4% year on year.

(ii) Underwriting and distribution:
The group recorded Underwriting and distribution commission of ¥20,484 million, an increase of 68.8% from the previous year. The Distribution commission for most part was earned from investment trust.

(iv) Other:
Other commissions were ¥6,181 million, an increase of 2.2% from the preceding year. Most of this amount was attributable to agency commission from investment trusts.

(Trading profit and loss)
In the consolidated fiscal year under review, Net gain on trading of stocks decreased, whereas Net gain on trading of bonds and foreign exchanges increased. As a result, Net gain on trading totaled ¥28,302 million, an increase of 10.6% year on year.

(Net interest and dividend income)
In the consolidated fiscal year under review, Interest and dividend income was ¥2,893 million, up 1.6% year on year. Meanwhile, Interest expense increased 1.3%, to ¥1,900 million, resulting in Net interest and dividend income of ¥993 million, up 2.2% year on year.

(Selling, general and administrative expenses)
Selling, general and administrative expenses for the consolidated fiscal year under review were ¥50,703 million, up 7.0% year on year. Of that amount, Employees' compensation and benefits increased by 15.3%, to ¥26,188 million; Brokerage and other commissions amounted to ¥4,691, up 12.8%; Real estate expenses increased 1.9% year on year, to ¥6,074 million; Data processing and office supplies shrank 11.4% year on year, to ¥5,141 million.

(Other income and expenses)
In the consolidated fiscal year under review, Other income, net, was ¥2,560 million. The primary positive factors include; equity in gains of associated companies of ¥838 million, a gain of ¥390 million on the transfer of business by way of handing over the financial instruments business at the Yokohama Branch of Tokai Tokyo Securities to Hamagin Tokai Tokyo Securities Co., Ltd. in the form of a company split, a gain of ¥185 million on the sale of fixed assets.

Consolidated Financial Statements

Tokai Tokyo Financial Holdings, Inc.

and Consolidated Subsidiaries

Year ended March 31, 2013

with Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tokai Tokyo Financial Holdings, Inc.:

We have audited the accompanying consolidated balance sheet of Tokai Tokyo Financial Holdings, Inc. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

As of March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
ASSETS			
Cash on hand and in banks (Notes 4, 8 and 15):			
Cash and time deposits	¥ 48,857	¥ 43,701	$ 519,482
Cash segregated as deposits related to securities transactions	23,289	18,395	247,621
	72,146	62,096	767,103
Collateralized short-term financing agreements (Note 15):			
Deposits paid for securities borrowed	209,499	221,156	2,227,523
Loans under resell agreements	60,070	57,706	638,705
	269,569	278,862	2,866,228
Trading assets (Note15):			
Trading securities (Notes 5 and 8)	200,738	181,580	2,134,377
Derivative assets (Note 6)	2,663	16,891	28,317
	203,401	198,471	2,162,694
Receivables:			
Receivables from brokers, dealers and clearing organizations (Note 15)	8,181	35,005	86,982
Receivables from customers	341	287	3,627
Receivables related to margin transactions (Note 15)	31,817	24,405	338,299
Other	2,482	2,092	26,392
	42,821	61,789	455,300
Less: allowance for doubtful accounts	(31)	(19)	(335)
	42,790	61,770	454,965
Short-term investment securities (Notes 5 and 15)	—	100	—
Investment securities (Notes 5, 8 and 15)	11,479	9,319	122,050
Investments in associated companies (Note 15)	6,438	5,983	68,458
Deferred tax assets (Note 14)	3,787	2,138	40,262
Other assets:			
Property and equipment (Notes 8, 9 and 10)	16,884	16,909	179,523
Less: accumulated depreciation	(8,096)	(8,104)	(86,085)
	8,788	8,805	93,438
Lease deposits	2,063	2,096	21,934
Other (Note 8)	10,758	12,747	114,392
	21,609	23,648	229,764
Less: allowance for doubtful accounts	(1,157)	(1,171)	(12,303)
	20,452	22,477	217,461
Total assets	¥ 630,062	¥ 641,216	$ 6,699,221

See notes to consolidated financial statements.

Consolidated Balance Sheet

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

As of March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
LIABILITIES AND EQUITY			
Borrowings (Notes 7, 8 and 15):			
Short-term borrowings	¥ **142,248**	¥ 218,246	$ **1,512,473**
Current portion of long-term debt	**80**	60	**851**
Commercial paper	**16,203**	15,888	**172,285**
Long-term debt	**5,684**	3,770	**60,436**
	164,215	237,964	**1,746,045**
Collateralized short-term financing agreements (Notes 8 and 15):			
Deposits received for securities loaned	**38,910**	31,357	**413,713**
Borrowings under repurchase agreements	**114,758**	111,770	**1,220,182**
	153,668	143,127	**1,633,895**
Trading liabilities (Note 15):			
Trading securities (Note 5)	**87,628**	99,191	**931,720**
Derivative liabilities (Note 6)	**6,328**	11,991	**67,280**
	93,956	111,182	**999,000**
Payables (Note 15):			
Payables to brokers, dealers, and clearing organizations	**33,676**	-	**358,069**
Payables to customers	**18,207**	14,734	**193,587**
Payables related to margin transactions (Note 8)	**19,075**	12,320	**202,812**
Other	**7,401**	4,552	**78,691**
	78,359	31,606	**833,159**
Accrued and other liabilities:			
Income taxes payable (Note 15)	**8,023**	1,249	**85,302**
Employees' bonuses	**5,052**	1,684	**53,718**
Liability for retirement benefits (Note 11)	**1,548**	1,628	**16,459**
Other	**2,656**	2,352	**28,242**
	17,279	6,913	**183,721**
Statutory reserves	**188**	165	**1,996**
Total liabilities	**507,665**	530,957	**5,397,816**
Commitments and contingent liabilities (Notes 16)			
Equity (Notes 12, 13 and 23)			
Common stock:			
authorized: 972,730,000 shares			
issued: 280,582,115 shares in 2013 and in 2012	**36,000**	36,000	**382,775**
Capital surplus	**33,282**	33,155	**353,876**
Stock acquisition rights	**115**	115	**1,219**
Retained earnings	**56,342**	47,178	**599,066**
Less: treasury stock, at cost: 16,122,363 shares in 2013 and 16,883,696 shares in 2012	**(4,208)**	(4,403)	**(44,737)**
Accumulated other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities	**1,187**	(1,223)	**12,618**
Foreign currency translation adjustments	**(656)**	(874)	**(6,977)**
Total	**122,062**	109,948	**1,297,840**
Minority interests	**335**	311	**3,565**
Total equity	**122,397**	110,259	**1,301,405**
Total liabilities and equity	¥ **630,062**	¥ 641,216	$ **6,699,221**

See notes to consolidated financial statements.

Consolidated Statement of Income

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Revenues:			
Commissions (Note 17)	**¥ 36,660**	¥ 24,191	**$ 389,792**
Net gain on trading	**28,302**	25,594	**300,922**
Interest and dividend income	**2,893**	2,847	**30,762**
Total revenues	**67,855**	52,632	**721,476**
Interest expense	**1,900**	1,876	**20,203**
Net revenues	**65,955**	50,756	**701,273**
Selling, general and administrative expenses (Note 18)	**50,703**	47,393	**539,102**
Operating income	**15,252**	3,363	**162,171**
Other income, net (Note 19)	**2,560**	1,406	**27,219**
Income before income taxes and minority interests	**17,812**	4,769	**189,390**
Income taxes (Note 14):			
Current	**8,712**	1,433	**92,632**
Deferred	**(2,197)**	781	**(23,358)**
Total income taxes	**6,515**	2,214	**69,274**
Net income before minority interests	**11,297**	2,555	**120,116**
Minority interests in net income	**24**	9	**251**
Net income	**¥ 11,273**	¥ 2,546	**$ 119,865**

Per share of common stock (Notes 2(s) and 21):	Yen		U.S. dollars
Basic net income	**¥ 42.74**	¥ 9.45	**$ 0.45**
Diluted net income	**42.66**	−	**0.45**
Cash dividends applicable to the year	**16.00**	8.00	**0.17**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2013

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2013		2012		2013	
Net income before minority interests	¥	11,297	¥	2,555	$	120,116
Other comprehensive income (Note 20):						
Unrealized gains (losses) on available-for-sale securities		2,411		(130)		25,643
Foreign currency translation adjustments		218		(76)		2,311
Comprehensive income	¥	13,926	¥	2,349	$	148,070
Total comprehensive income attributable to (Note 20):						
Owners of the parent	¥	13,901	¥	2,334	$	147,802
Minority interests		25		15		268

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2013

	Thousands of shares		Millions of yen									
								Accumulated other comprehensive income				
	Common stock	*Treasury stock*	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized (losses) gains on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance as of April 1, 2011	*280,582*	*3,957*	¥ 36,000	¥ 33,155	¥ 60	¥ 46,805	¥ (1,417)	¥ (1,088)	¥ (797)	¥ 112,718	¥ 297	¥ 113,015
Net income	-	-	-	-	-	2,546	-	-	-	2,546	-	2,546
Cash dividends, ¥8.00 per share	-	-	-	-	-	(2,173)	-	-	-	(2,173)	-	(2,173)
Purchases of treasury stock	-	*12,930*	-	-	-	-	(2,987)	-	-	(2,987)	-	(2,987)
Disposals of treasury stock	-	(3)	-	(0)	-	-	1	-	-	1	-	1
Net change in the year	-	-	-	-	55	-	-	(135)	(77)	(157)	14	(143)
Balance as of March 31, 2012	***280,582***	***16,884***	**¥ 36,000**	**¥ 33,155**	**¥ 115**	**¥ 47,178**	**¥ (4,403)**	**¥ (1,223)**	**¥ (874)**	**¥ 109,948**	**¥ 311**	**¥ 110,259**
Net income	**-**	**-**	**-**	**-**	**-**	**11,273**	**-**	**-**	**-**	**11,273**	**-**	**11,273**
Cash dividends, ¥8.00 per share	**-**	**-**	**-**	**-**	**-**	**(2,109)**	**-**	**-**	**-**	**(2,109)**	**-**	**(2,109)**
Purchases of treasury stock	**-**	***26***	**-**	**-**	**-**	**-**	**(11)**	**-**	**-**	**(11)**	**-**	**(11)**
Disposals of treasury stock	**-**	**(788)**	**-**	**127**	**-**	**-**	**206**	**-**	**-**	**333**	**-**	**333**
Net change in the year	**-**	**-**	**-**	**-**	**(0)**	**-**	**-**	**2,410**	**218**	**2,628**	**24**	**2,652**
Balance as of March 31, 2013	***280,582***	***16,122***	**¥ 36,000**	**¥ 33,282**	**¥ 115**	**¥ 56,342**	**¥ (4,208)**	**¥ 1,187**	**¥ (656)**	**¥ 122,062**	**¥ 335**	**¥ 122,397**

	Thousands of U.S. dollars (Note 1)									
						Accumulated other comprehensive income				
	Common stock	Capital Surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized (losses) gains on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance as of March 31, 2012	**$ 382,775**	**$ 352,523**	**$ 1,220**	**$ 501,631**	**$ (46,810)**	**$ (13,007)**	**$ (9,288)**	**$ 1,169,044**	**$ 3,306**	**$ 1,172,350**
Net income	**-**	**-**	**-**	**119,865**	**-**	**-**	**-**	**119,865**	**-**	**119,865**
Cash dividends, $0.09 per share	**-**	**-**	**-**	**(22,430)**	**-**	**-**	**-**	**(22,430)**	**-**	**(22,430)**
Purchases of treasury stock	**-**	**-**	**-**	**-**	**(113)**	**-**	**-**	**(113)**	**-**	**(113)**
Disposals of treasury stock	**-**	**1,353**	**-**	**-**	**2,186**	**-**	**-**	**3,539**	**-**	**3,539**
Net change in the year	**-**	**-**	**(1)**	**-**	**-**	**25,625**	**2,311**	**27,935**	**259**	**28,194**
Balance as of March 31, 2013	**$ 382,775**	**$ 353,876**	**$ 1,219**	**$ 599,066**	**$ (44,737)**	**$ 12,618**	**$ (6,977)**	**$ 1,297,840**	**$ 3,565**	**$ 1,301,405**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **17,812**	¥ 4,769	$ **189,390**
Adjustments for:			
Income taxes - paid	**(2,058)**	(524)	**(21,883)**
Depreciation and amortization	**2,467**	2,802	**26,226**
Reversal of doubtful accounts	**(2)**	(36)	**(17)**
Reversal of retirement benefits	**(80)**	(285)	**(847)**
Provision for (reversal of) statutory reserves	**22**	(4)	**237**
Net gains on sales of investment securities	**(83)**	(24)	**(882)**
Losses on disposals of fixed assets	**82**	35	**876**
Gains on sales of fixed assets	**(185)**	—	**(1,963)**
Impairment losses on investment securities	**61**	490	**645**
Gains on transfer of business	**(390)**	—	**(4,146)**
Gain on contribution of investment securities to retirement benefit trust	**—**	(188)	**—**
Decrease (increase) in receivables	**19,129**	(12,971)	**203,397**
Increase (decrease) in payables	**46,423**	(10,106)	**493,598**
Trading assets and liabilities	**(22,155)**	(34,112)	**(235,576)**
Collateralized short-term financing agreements	**19,835**	6,165	**210,897**
Other, net	**(1,857)**	853	**(19,751)**
Total adjustments	**61,209**	(47,905)	**650,811**
Net cash provided by (used in) operating activities	**79,021**	(43,136)	**840,201**
Cash flows from investing activities:			
Purchases of property and equipment	**(825)**	(1,632)	**(8,774)**
Proceeds from sales of property and equipment	**278**	0	**2,958**
Purchases of investment securities	**(260)**	(203)	**(2,764)**
Proceeds from sales of investment securities	**1,109**	163	**11,796**
Proceeds from transfer of business	**800**	—	**8,503**
Other, net	**666**	203	**7,078**
Net cash provided by (used in) investing activities	**1,768**	(1,469)	**18,797**
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings - net	**(76,000)**	31,417	**(808,082)**
Proceeds from long-term debt	**200**	3,700	**2,126**
Repayments of long-term debt	**(60)**	(2,940)	**(638)**
Proceeds from commercial paper	**66,354**	47,939	**705,527**
Redemption of commercial paper	**(64,436)**	(48,651)	**(685,121)**
Proceeds from exercise of stock options	**273**	—	**2,902**
Purchases of treasury stock	**—**	(2,982)	**—**
Net increase in treasury stock	**(11)**	(4)	**(113)**
Dividends paid	**(2,109)**	(2,173)	**(22,430)**
Dividends to minority shareholders	**(0)**	(1)	**(9)**
Other, net	**(75)**	—	**(795)**
Net cash (used in) provided by financing activities	**(75,864)**	26,305	**(806,633)**
Foreign currency translation adjustments on cash and cash equivalents	**236**	(95)	**2,510**
Net increase (decrease) in cash and cash equivalents	**5,161**	(18,395)	**54,875**
Cash and cash equivalents at the beginning of year	**43,331**	61,726	**460,722**
Cash and cash equivalents at the end of year (Note 4)	¥ **48,492**	¥ 43,331	$ **515,597**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Tokai Tokyo Financial Holdings, Inc. and Consolidated Subsidiaries
Year ended March 31, 2013

1. Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared by Tokai Tokyo Financial Holdings, Inc. (hereafter referred to as the “Company”) and its subsidiaries (together with the Company, hereafter 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 accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In preparing these 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. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to US$1. The amounts in yen are directly converted into U.S. dollar amounts even for the amounts presented only in millions of yen in the financial statements. As such, there are cases that the conversion of the amounts in millions of yen with the prevailing exchange rate are different from those in U.S. dollars shown in the financial statements. The translation should not be construed as a representation that the yen amounts have been, could have been or could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

a. Principles of consolidation

The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 20 (18 in 2012) subsidiaries.

Tokai Tokyo Japan Phoenix Fund Limited and Tokai Tokyo Japan Phoenix Master Fund Limited, which had not been consolidated previously, are newly included in the scope of the consolidation effective June 2012 as their impact on the consolidated financial statements became material. N-residence No. 1 Godo Kaisha (Limited Liability Company) is now excluded from the scope of consolidation as it was liquidated in August 2012. Following the establishment of Senshu Ikeda TT Securities Preparation Co., Ltd. in January 2013, the Company included it in the scope of consolidation.

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 Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (three in 2012) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries 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.

In relation to business combinations undertaken before April 1, 2010, the excess of the fair value of the net assets of an acquired subsidiary at the date of acquisition over the cost of acquisition was recognized as negative goodwill and amortized using the straight-line method over a period of 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. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gains or losses of pensions that have been directly recorded in equity; (c) expensing capitalized research and development costs; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of accounting policies for associated companies used in applying the equity method

In March 2008, the ASBJ issued ASBJ Statement No.16, “Accounting Standard for Equity Method of Accounting for Investments”. The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method, unless it is impracticable to determine the necessary adjustments.

d. Business combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations”, and in December 2005, 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 allowed companies to apply the pooling of interests method of accounting only when certain specific criteria were met such that the business combination was essentially regarded as a uniting-of-interests. For business combinations that did not meet the uniting-of-interests criteria, the business combination was considered to be an acquisition and the purchase method of accounting was required. This standard also prescribed the accounting for combinations of entities under common control and for joint ventures.

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 revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

e. Cash and cash equivalents

Cash and cash equivalents disclosed in the consolidated statement 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.

f. Financial instruments

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

1) Buying and selling of securities
2) Derivative market transactions
3) Over-the-counter derivative transactions

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, including short-term investment securities and investment securities, are held for non-trading purposes and are classified as available-for-sale. 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 "Unrealized gains (losses) on available-for-sale securities" in equity on the consolidated balance sheet. Available-for-sale securities without a market quotation are stated at cost as determined by the moving average. Where available-for-sale 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.

g. Property and equipment

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

h. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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.

i. 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.

j. Retirement benefits

A 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. Prior service costs are amortized by the straight-line method over ten years within the average of employees' remaining service period.

Certain domestic consolidated subsidiaries account for the liability for retirement allowances for directors and Audit & Supervisory Board members in accordance with the internal rules at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

k. Asset retirement obligations

In March 2008, the ASBJ published the 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 the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. 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.

m. Stock options

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options", and related guidance. This standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense 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, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

n. 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. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing 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 continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. All other leases are accounted for as operating leases.

o. Bonuses to directors and Audit & Supervisory Board members

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

p. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly-owned domestic subsidiaries.

q. 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 consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. 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 are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

s. 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 split.

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

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

t. Accounting changes and error corrections

In December 2009, the 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 following a revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—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.

u. New accounting pronouncements

***Accounting Standard for Retirement Benefits*—**On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits", and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits", which replaced the "Accounting Standard for Retirement Benefits" that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard does not change how to recognize actuarial gains and losses and prior service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and prior service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) *Amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of fiscal years beginning on or after April 1, 2013, and for (c) above are effective for the beginning of fiscal years beginning on or after April 1, 2014 or for the beginning of fiscal years beginning on or after April 1, 2015, subject to certain disclosures in March 2015, both with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of fiscal year beginning on April 1, 2013 and for (c) above from the beginning of fiscal year beginning on April 1, 2014. The Company is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. Business divestiture

(1) Outline of business divestiture

(a) Name of successor entity

Hamagin Tokai Tokyo Securities Co., Ltd. ("HTTS")

(b) Divested business

The financial instruments business of the Yokohama Branch of Tokai Tokyo Securities Co., Ltd. (hereinafter "Tokai Tokyo Securities"), which is a consolidated subsidiary of the Company (Except for the businesses and products listed below)

(i) Ruitou Club (Cumulative stock investment program)

(ii) Fund Ruitou (Periodic investments in investment fund)

(iii) Multi-channel transactions

(iv) Over-the-counter derivative transactions

(v) Other businesses and products agreed separately as to be unable to succeed

(c) Main reason for the business divestiture

The Company and The Bank of Yokohama, Ltd. (the "Bank") had jointly established HTTS to take full advantage of both companies' strengths – cutting-edge skills and know-how of the Company and the rich customer base and dense branch network of the Bank. HTTS has operated the financial instruments business since November 2008 mainly in Kanagawa prefecture.

In November 2011, three years had passed since the start-up of HTTS. HTTS has currently 15 business bases which is double the number as compared to its start-up. As HTTS has increased its presence in the territory, the Company decided to spin-off and transfer the financial instruments business of the Yokohama Branch of Tokai Tokyo Securities to HTTS in order to provide community-based services to customers and to concentrate its management resources.

(d) Date of divestiture

September 3, 2012

(e) Outline of the transaction including legal structure

A simplified absorption-type corporate split was used which was designed to spin-off part of the business of Tokai Tokyo Securities, and then to transfer such business to HTTS. Under the simplified method, the approval of the shareholders with respect to the corporate split is not necessary.

(2) Outline of accounting treatment

(a) Amount of transfer gain/loss

Gain on transfer of business ¥390 million ($4,146 thousand)

(b) Book value and detail of transferred assets and liabilities

Assets	(Millions of yen)	(Thousands of U.S. dollars)
Cash and time deposits	¥ 1	$ 6
Cash segregated as deposits related to securities transactions	175	1,861
Receivables related to margin transactions	54	579
Other receivables	1	8
Property and equipment, net	4	42
Lease deposits	21	227
Other assets	4	44
Total assets	¥ 260	$ 2,767

Liabilities	(Millions of yen)	(Thousands of U.S. dollars)
Payables related to margin transactions	¥ 54	$ 579
Payables to customers	175	1,861
Other liabilities	0	0
Total liabilities	¥ 229	$ 2,440

(3) Reporting segment related to the business transferred
The investment and financial service business

(4) Approximate profit/loss amount of the divested business included in the consolidated statement of income of the current fiscal year
Revenues ¥295 million ($3,138 thousand)
Operating income ¥68 million ($722 thousand)

(Note) Approximate profit/loss amount of the divested business is an unaudited figure.

4. Cash and cash equivalents

Reconciliations between cash and cash equivalents in the consolidated statement of cash flows and cash and time deposits in the consolidated balance sheet as of March 31, 2013 and 2012 are presented as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Cash and time deposits	**¥ 48,857**	¥ 43,701	**$ 519,482**
Time deposits with maturity of over three months	**(365)**	(370)	**(3,885)**
Cash and cash equivalents	**¥ 48,492**	¥ 43,331	**$ 515,597**

5. Securities

(1) Trading securities as of March 31, 2013 and 2012 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Trading assets:			
Equity and warrants	**¥ 6,648**	¥ 9,487	**$ 70,686**
Bonds	**177,889**	157,937	**1,891,429**
Beneficiary certificates of investment trusts	**16,125**	13,995	**171,450**
Other	**76**	161	**812**
Total	**¥ 200,738**	¥ 181,580	**$ 2,134,377**
Trading liabilities:			
Equity and warrants	**¥ 4,646**	¥ 17,348	**$ 49,402**
Bonds	**82,982**	81,801	**882,316**
Beneficiary certificates of investment trust	**0**	42	**2**
Total	**¥ 87,628**	¥ 99,191	**$ 931,720**

Short-term investment securities and investment securities with market value as of March 31, 2013 and 2012 consisted of the following:

	(Millions of yen)					
	2013			2012		
	Balance sheet	**Acquisition cost**	**Difference**	Balance sheet	Acquisition cost	Difference
Available-for-sale securities						
Securities with market value that exceed acquisition cost:	**¥ 3,704**	**¥ 1,523**	**¥ 2,181**	¥ 603	¥ 501	¥ 102
Stocks	**3,694**	**1,513**	**2,181**	593	491	102
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:	**2,588**	**3,130**	**(542)**	3,221	4,375	(1,154)
Stocks	**2,588**	**3,130**	**(542)**	3,121	4,274	(1,153)
Bonds	**-**	**-**	**-**	100	101	(1)
Governmental/municipal bonds	**-**	**-**	**-**	100	101	(1)
	¥ 6,292	**¥ 4,653**	**¥ 1,639**	¥ 3,824	¥ 4,876	¥ (1,052)

	(Thousands of U.S. dollars)		
	2013		
	Balance sheet	**Acquisition cost**	**Difference**
Available-for-sale securities:			
Securities with market value that exceed acquisition cost:	**$ 39,387**	**$ 16,193**	**$ 23,194**
Stocks	**39,280**	**16,086**	**23,194**
Bonds	**107**	**107**	**0**
Governmental/municipal bonds	**107**	**107**	**0**
Securities with market value that do not exceed acquisition cost:	**27,514**	**33,283**	**(5,769)**
Stocks	**27,514**	**33,283**	**(5,769)**
Bonds	**-**	**-**	**-**
Governmental/municipal bonds	**-**	**-**	**-**
	$ 66,901	**$ 49,476**	**$ 17,425**

(2) The proceeds from sales of investment securities, gross realized gains and losses on investment securities for the years ended March 31, 2013 and 2012 were summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Proceeds from sales	**¥ 1,109**	¥ 163	**$ 11,796**
Stocks	**1,033**	110	**10,991**
Bonds	**-**	-	**-**
Other	**76**	53	**805**
Gross realized gains	**155**	55	**1,652**
Gross realized losses	**(72)**	(31)	**(770)**

(3) The impairment losses on available-for-sale securities for the years ended March 31, 2013 and 2012 were ¥61 million ($645 thousand) and ¥490 million, respectively.

6. Derivatives

The Group enters into derivative financial instruments, including foreign currency forward contracts, currency swaps, currency options and foreign exchange margin trading to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also makes use of derivative financial instruments such as bond futures transactions and interest rate swap contracts to manage its interest rate exposures on certain liabilities. In addition, the Group entered into stock-related derivative transactions to manage the fluctuation of stock prices.

The methods for calculating fair value are based on the internal rules for calculating fair value. The principal methods for calculating fair value are as follows:

Category	Method
Equity options Stock index options	Settlement price at the primary financial instruments exchange.
Foreign currency forward contracts	Discounting the receipt and payment amounts using the interest rate of the applicable currency and converting them into yen at the currency exchange rate of the day, then subtracting the present value of payments from the present value of receipts.
Stock index futures	Liquidation index at the main financial instruments exchange.
Bond futures	Liquidation price at the main financial instruments exchange.
OTC equity options Stock lending transactions with equity options Equity swap transactions	Present value calculated by price valuation model based on interest rate, dividend yield, volatility, prices of underlying securities and length of transaction, etc.
Currency option contracts	Calculating the future value of receipts and payments by reference to the swap rate, volatility, correlation, etc. and discounting them using the interest rate of the respective currencies, then converting them into yen at the currency rate of the day. The present value of payments in yen is subtracted from the present value of receipts in yen.
Interest rate swaps Currency swap contracts	Calculating the future value of receipts and payments by reference to the swap rate, volatility, etc. and discounting them using the interest rate of the respective currencies, then converting them into yen at the currency rate of the day. The present value of payments in yen is subtracted from the present value of receipts in yen. For transactions in which mutual payment of cash is generated or expired under certain conditions, the present value is the discounted amount of future value reflecting the probability distribution of the net amount of receipts and payments.
Foreign exchange margin trading	Converting the foreign currency amount into yen at the currency rate published by vendors, etc.

Derivative transactions to which hedge accounting is not applied

(1) Currency-related transactions

At March 31, 2013	**Contract amount**	**Contract amount due after one year**	**Fair value**	**Unrealized gains (losses)**
	(Millions of yen)			
Over-the-counter:				
Foreign currency forward contracts:				
Selling	**¥ 24,594**	**-**	**¥ 79**	**¥ 79**
Buying	**19,049**	**-**	**(74)**	**(74)**
Currency option contracts:				
Selling	**83,295**	**¥ 39,005**	**5,023**	**(1,071)**
Buying	**32,678**	**24,958**	**236**	**(928)**
Currency swap contracts	**33,280**	**23,635**	**928**	**928**
Foreign exchange margin trading:				
Selling	**699**	**-**	**4**	**4**
Buying	**683**	**-**	**12**	**12**

At March 31, 2012	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
Over-the-counter:				
Foreign currency forward contracts:				
Selling	¥ 17,682	-	¥ 166	¥ 166
Buying	14,451	-	(22)	(22)
Currency option contracts:				
Selling	86,998	¥ 49,047	3,249	1,001
Buying	48,926	35,290	989	(351)
Currency swap contracts	47,291	40,266	1,491	1,491
Foreign exchange margin trading:				
Selling	1,505	-	46	46
Buying	1,445	-	14	14

At March 31, 2013	**Contract amount**	**Contract amount due after one year**	**Fair value**	**Unrealized gains (losses)**
	(Thousands of U.S. dollars)			
Over-the-counter:				
Foreign currency forward contracts:				
Selling	**$ 261,503**	**-**	**$ 844**	**$ 844**
Buying	**202,542**	**-**	**(783)**	**(783)**
Currency option contracts:				
Selling	**885,642**	**$ 414,723**	**53,410**	**(11,386)**
Buying	**347,454**	**265,367**	**2,508**	**(9,871)**
Currency swap contracts	**353,858**	**251,303**	**9,871**	**9,871**
Foreign exchange margin trading:				
Selling	**7,435**	**-**	**45**	**45**
Buying	**7,261**	**-**	**130**	**130**

(2) Interest-rate-related transactions

At March 31, 2013	**(Millions of yen)** Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Listed:				
Bond futures:				
Selling	**¥ 2,657**	**-**	**¥ (0)**	**¥ (0)**
Buying	**1,310**	**-**	**(1)**	**(1)**
Over-the-counter:				
Swaps:				
Fixed rate receipt, Floating rate payment	**122,394**	**¥ 97,141**	**4,739**	**4,739**
Fixed rate payment, Floating rate receipt	**133,181**	**103,897**	**(5,021)**	**(5,021)**
Yen/Yen basis swap	**8,000**	**5,800**	**17**	**17**

At March 31, 2012	(Millions of yen) Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Listed:				
Bond futures:				
Selling	¥ 4,961	-	¥ (11)	¥ (11)
Buying	2,698	-	0	0
Over-the-counter:				
Swaps:				
Fixed rate receipt, Floating rate payment	139,530	¥ 96,061	3,905	3,905
Fixed rate payment, Floating rate receipt	140,483	96,007	(4,047)	(4,047)
Yen/Yen basis swap	9,700	4,700	21	21

At March 31, 2013	**(Thousands of U.S. dollars)** Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Listed:				
Bond futures:				
Selling	**$ 28,251**	**-**	**$ (1)**	**$ (1)**
Buying	**13,928**	**-**	**(9)**	**(9)**
Over-the-counter:				
Swaps:				
Fixed rate receipt, Floating rate payment	**1,301,376**	**$ 1,032,868**	**50,387**	**50,387**
Fixed rate payment, Floating rate receipt	**1,416,067**	**1,104,702**	**(53,381)**	**(53,381)**
Yen/Yen basis swap	**85,061**	**61,669**	**177**	**177**

(3) Stock-related transactions

At March 31, 2013	**Contract amount**	**Contract amount due after one year**	**Fair value**	**Unrealized gains (losses)**
	(Millions of yen)			
Listed:				
Index futures:				
Selling	**¥ 4,883**	**-**	**¥ (238)**	**¥ (238)**
Buying	**251**	**-**	**9**	**9**
Index options:				
Selling	**12,678**	**-**	**1,782**	**(1,036)**
Buying	**12,493**	**-**	**1,776**	**1,260**
Equity options:				
Selling	**-**	**-**	**-**	**-**
Buying	**227**	**-**	**7**	**5**
Over-the-counter:				
Stock lending transactions with equity options:				
Selling	**-**	**-**	**-**	**-**
Buying	**229**	**-**	**11**	**8**
OTC equity options:				
Selling	**3,012**	**-**	**214**	**(82)**
Buying	**7,061**	**-**	**1,000**	**218**
Equity swap transactions	**3,785**	**¥ 3,248**	**10**	**10**

At March 31, 2012	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
Listed:				
Index futures:				
Selling	¥ 33,685	-	¥ (722)	¥ (722)
Buying	23,376	-	599	599
Index options:				
Selling	497,904	¥ 3,960	8,473	(1,822)
Buying	382,612	4,389	8,301	2,341
Equity options:				
Selling	-	-	-	-
Buying	1,004	-	87	73
Over-the-counter:				
Stock lending transactions with equity options:				
Selling	414	-	0	0
Buying	1,033	-	22	17
OTC equity options:				
Selling	239	-	11	2
Buying	55,199	-	5,795	1,425
Equity swap transactions	707	171	50	50

At March 31, 2013	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
	(Thousands of U.S. dollars)			
Listed:				
Index futures:				
Selling	$ 51,923	-	$ (2,529)	$ (2,529)
Buying	2,669	-	100	100
Index options:				
Selling	134,795	-	18,943	(11,019)
Buying	132,828	-	18,882	13,394
Equity options:				
Selling	-	-	-	-
Buying	2,411	-	71	52
Over-the-counter:				
Stock lending transactions with equity options:				
Selling	-	-	-	-
Buying	2,435	-	113	89
OTC equity options:				
Selling	32,028	-	2,279	(870)
Buying	75,074	-	10,633	2,318
Equity swap transactions	40,248	$ 34,535	106	106

Derivative transactions to which hedge accounting is applied

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

7. Borrowings

Borrowings as of March 31, 2013 and 2012 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Weighted average interest rate or interest rate range)
	2013	2012	**2013**	**2013**
Short-term borrowings:				
Call money	**-**	¥ 5,000	**-**	
Borrowings from financial institutions	**¥ 140,618**	211,616	**$ 1,495,142**	
Borrowings from securities finance companies	**1,630**	1,630	**17,331**	
Total	**142,248**	218,246	**1,512,473**	**0.31%**
Commercial paper:				
Short-term bonds	**¥ 10,000**	¥ 6,500	**$ 106,326**	**0.16~0.44%**
Straight bonds:				
Yen	**4,500**	8,000	**47,847**	**0.30~0.45%**
U.S. dollar	**940**	822	**10,000**	**0.42~0.80%**
Exchangeable bonds	**763**	566	**8,112**	**1.00~22.80%**
Total	**¥ 16,203**	¥ 15,888	**$ 172,285**	
Long-term debt:				
Borrowings from financial institutions	**3,760**	3,640	**39,979**	**1.96%**
Exchangeable bonds	**1,624**	130	**17,267**	**0.50~9.85%**
Step-up callable bonds	**200**	-	**2,127**	**0.40~0.80%**
Callable bonds	**100**	-	**1,063**	**0.35%**
Subtotal	**5,684**	3,770	**60,436**	
Current portion of long-term debt	**80**	60	**851**	**1.44%**
Total	**¥ 5,764**	¥ 3,830	**$ 61,287**	
Total borrowings	**¥ 164,215**	¥ 237,964	**$ 1,746,045**	

The aggregate annual maturities of long-term debt as of March 31, 2013 are as follows:

Year ending March 31	**(Millions of yen)**	**(Thousands of U.S. dollars)**
	2013	**2013**
2014	**-**	**-**
2015	**¥ 80**	**$ 851**
2016	**5,404**	**57,459**
2017	**-**	**-**
2018	**200**	**2,126**
Total	**¥ 5,684**	**$ 60,436**

8. Assets pledged as collateral

(1) Assets pledged as collateral for borrowings as of March 31, 2013 and 2012 were summarized as follows:

(Millions of yen)

2013	**Obligations secured by pledged assets**	**Pledged assets: Cash and time deposits**	**Trading securities**	**Investment securities**	**Other assets (Other)**	**Total**
Short-term borrowings	**¥ 94,730**	**-**	**¥ 97,306**	**-**	**-**	**¥ 97,306**
Long-term debt	**3,840**	**¥ 160**	**-**	**¥ 415**	**¥ 4,384**	**4,959**
(Current portion of long-term debt)	**(80)**					
Deposits received for securities loaned	**38,910**	**-**	**9,855**	**-**	**-**	**9,855**
Borrowings under repurchase agreements	**114,507**	**-**	**8,198**	**-**	**-**	**8,198**
Payables related to margin transactions	**14,351**	**-**	**400**	**-**	**-**	**400**
Total	**¥ 266,338**	**¥ 160**	**¥ 115,759**	**¥ 415**	**¥ 4,384**	**¥ 120,718**

(Millions of yen)

2012	Obligations secured by pledged assets	Pledged assets: Cash and time deposits	Trading securities	Investment securities	Other assets (Other)	Total
Short-term borrowings	¥ 172,830	-	¥ 135,022	-	-	¥ 135,022
Long-term debt	3,700	¥ 84	-	-	¥ 5,049	5,133
(Current portion of long-term debt)	(60)					
Deposits received for securities loaned	31,357	-	11,718	-	-	11,718
Borrowings under repurchase agreements	111,752	-	9,995	-	-	9,995
Payables related to margin transactions	8,533	-	400	-	-	400
Total	¥ 328,172	¥ 84	¥ 157,135	-	¥ 5,049	¥ 162,268

2013	Obligations secured by pledged assets	Pledged assets (Thousands of U.S. dollars): Cash and time deposits	Trading securities	Investment securities	Other assets (Other)	Total
Short-term borrowings	**$ 1,007,230**	**-**	**$ 1,034,625**	**-**	**-**	**$ 1,034,625**
Long-term debt	**40,830**	**$ 1,698**	**-**	**$ 4,415**	**$ 46,617**	**52,730**
(Current portion of long-term debt)	**(851)**					
Deposits received for securities loaned	**413,713**	**-**	**104,780**	**-**	**-**	**104,780**
Borrowings under repurchase agreements	**1,217,517**	**-**	**87,170**	**-**	**-**	**87,170**
Payables related to margin transactions	**152,588**	**-**	**4,253**	**-**	**-**	**4,253**
Total	**$ 2,831,878**	**$ 1,698**	**$ 1,230,828**	**$ 4,415**	**$ 46,617**	**$ 1,283,558**

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

	(Millions of yen) 2013	(Millions of yen) 2012	(Thousands of U.S. dollars) 2013
Stocks received as collateral from customers under self-financing margin transactions	**¥ 1,040**	¥ 2,685	**$ 11,059**
Securities borrowed for collateralized short-term financing agreements	**124,821**	118,387	**1,327,176**
Securities purchased under resell agreements	**60,665**	56,874	**645,033**

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

	(Millions of yen) 2013	(Millions of yen) 2012	(Thousands of U.S. dollars) 2013
Trading securities	**¥ 8,564**	¥ 5,433	**$ 91,061**
Property and equipment	**86**	279	**918**
Stocks received as collateral from customers under self-financing margin transactions	**37**	96	**391**

(*3) “Cash and time deposits” and “Other assets (Other)” pledged as collateral for “Long-term debt” are beneficiary trust certificates, which include “Accrued and other liabilities (Other)” of ¥45 million ($478 thousand) and ¥49 million at March 31, 2013 and 2012, respectively.

(2) The fair value of securities pledged and received as collateral at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Pledged securities:			
Securities loaned to customers for margin transactions	¥ **2,532**	¥ 4,035	$ **26,921**
Securities pledged as collateral to securities finance companies or securities exchange brokers for borrowings under margin transactions	**16,782**	8,751	**178,434**
Securities loaned for collateralized short-term financing agreements	**39,394**	31,545	**418,866**
Securities sold under repurchase agreements	**114,997**	111,520	**1,222,725**
Securities pledged as collateral for short-term guarantees	**15,982**	11,825	**169,931**
Received securities:			
Securities received as collateral from customers for loans under margin transactions	¥ **28,730**	¥ 15,777	$ **305,480**
Securities borrowed from finance companies or securities exchange brokers for margin transactions	**2,280**	8,425	**24,237**
Securities borrowed for collateralized short-term financing agreements	**210,798**	220,891	**2,241,335**
Securities purchased under resell agreements	**60,699**	57,463	**645,386**
Securities received as collateral for short-term guarantees	**34,847**	31,977	**370,518**
Other	**394**	406	**4,186**

9. Property and equipment

Property and equipment as of March 31, 2013 and 2012 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Land	¥ **5,210**	¥ 5,325	$ **55,394**
Buildings	**5,853**	5,889	**62,239**
Fixtures and furniture	**5,821**	5,695	**61,890**
Total	**16,884**	16,909	**179,523**
Accumulated depreciation	**(8,096)**	(8,104)	**(86,085)**
Net property and equipment	¥ **8,788**	¥ 8,805	$ **93,438**

10. Investment property

In November 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 Company and certain subsidiaries own rental properties such as office buildings in Aichi Prefecture and other areas. The net of rental income and operating expenses for those rental properties was ¥274 million ($2,918 thousand) and ¥239 million for the years ended March 2013 and 2012, respectively, which were included in "Other income, net". Gains on sales of rental properties for the year ended March 31, 2013 were ¥45 million ($475 thousand) and were included in "Other income, net". There were no sales of rental properties for the year ended March 31, 2012.

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, 2012	**Increase/(Decrease)**	**March 31, 2013**	**March 31, 2013**
¥ 6,791	**¥ (691)**	**¥ 6,100**	**¥ 5,939**

(Millions of yen)

Carrying amount			Fair value
April 1, 2011	Increase/(Decrease)	March 31, 2012	March 31, 2012
¥ 7,013	¥ (222)	¥ 6,791	¥ 6,713

(Thousands of U.S. dollars)

Carrying amount			**Fair value**
April 1, 2012	**Increase/(Decrease)**	**March 31, 2013**	**March 31, 2013**
$ 72,205	**$ (7,343)**	**$ 64,862**	**$ 63,152**

Notes:
1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Decrease during the fiscal year ended March 31, 2013 primarily represents the sales of certain properties of ¥505 million ($5,373 thousand) and the depreciation of ¥193 million ($2,051 thousand).
3) Fair value of properties as of March 31, 2013 is measured by the Group in accordance with its Real-estate Appraisal Standard.

11. Retirement benefits

The Company and its domestic subsidiaries have a defined benefit corporate pension plan and a defined contribution pension plan as its retirement benefit plans. There are some cases in which extra retirement benefits are paid to employees when they retire. Tokai Tokyo Securities contributed the retirement benefit trust for its pension plan.

In addition, retirement benefits to directors and Audit & Supervisory Board members of ¥70 million ($743 thousand) and ¥113 million at March 31, 2013 and 2012, respectively, were included in "Liability for retirement benefits" on the consolidated balance sheet.

The following table sets forth the changes in projected benefit obligations, plan assets and funded status of the Group as of March 31, 2013 and 2012:

	(Millions of yen)				(Thousands of U.S. dollars)	
		2013		2012		**2013**
Projected benefit obligations	¥	**(10,915)**	¥	(10,891)	$	**(116,057)**
Plan assets including benefit trusts		**10,068**		8,021		**107,056**
Unfunded retirement benefit obligation		**(847)**		(2,870)		**(9,001)**
Unrecognized net prior service cost		**(394)**		(445)		**(4,194)**
Unrecognized net actuarial differences		**(237)**		1,800		**(2,521)**
Net liability for retirement benefits	¥	**(1,478)**	¥	(1,515)	$	**(15,716)**

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 were as follows:

	(Millions of yen)				(Thousands of U.S. dollars)	
		2013		2012		**2013**
Service cost	¥	**628**	¥	643	$	**6,680**
Interest cost		**204**		195		**2,171**
Expected return on plan assets		**(106)**		(95)		**(1,127)**
Amortization of prior service costs		**(51)**		(51)		**(541)**
Amortization of actuarial differences		**191**		445		**2,026**
Net periodic expenses	¥	**866**	¥	1,137	$	**9,209**
Contribution to the defined contribution pension plan		**466**		479		**4,953**
Total	¥	**1,332**	¥	1,616	$	**14,162**

The assumptions used in accounting for the defined benefit corporate pension plan for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
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
Amortization period of prior service costs	**10 years**	10 years

In addition, retirement benefits to directors and Audit & Supervisory Board members of ¥70 million ($743 thousand) and ¥113 million at March 31, 2013 and 2012, respectively, were included in "Liability for retirement benefits" on the consolidated balance sheet.

12. Equity

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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, 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 certain limitations 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 aggregate amount of the legal reserve and additional paid-in capital equals 25% of 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 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.

13. Stock options

The stock options outstanding as of March 31, 2013 were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2009-1 stock option	2 directors 4 officers 13 employees 3 directors of subsidiaries 15 officers and councilors of subsidiaries 106 employees of subsidiaries	667,000 shares	August 31, 2009	¥358 ($3.81)	From September 1, 2011 to August 31, 2014
2009-2 stock option	3 officers and councilors of subsidiaries 19 employees	100,000 shares	December 29, 2009	¥378 ($4.02)	From January 1, 2012 to December 31, 2014
2011-1 stock option	2 directors 7 officers 8 employees 4 directors of subsidiaries 20 officers of subsidiaries 144 employees of subsidiaries	863,000 shares	January 5, 2011	¥332 ($3.53)	From February 1, 2013 to January 31, 2016
2012-1 stock option	2 directors 8 officers and senior councilors 9 employees 5 directors of subsidiaries 21 officers and councilors of subsidiaries 139 employees of subsidiaries	1,048,000 shares	September 30, 2011	¥249 ($2.65)	From October 1, 2013 to September 30, 2016
2013-1 stock option	3 directors 10 officers and senior councilors 10 employees 3 directors of subsidiaries 22 officers and councilors of subsidiaries 146 employees of subsidiaries	939,000 shares	September 7, 2012	¥275 ($2.92)	From October 1, 2014 to September 30, 2017

The stock option activity was as follows:

	2009-1 stock option (Shares)	2009-2 stock option (Shares)	2011-1 stock option (Shares)	2012-1 stock option (Shares)	2013-1 stock option (Shares)
For the year ended March 31, 2012					
Non-vested					
April 1, 2011 - Outstanding	667,000	100,000	863,000	-	-
Granted	-	-	-	1,048,000	-
Canceled	22,000	-	10,000	5,000	-
Vested	645,000	100,000	-	-	-
March 31, 2012 - Outstanding	-	-	853,000	1,043,000	-
Vested					
April 1, 2011 - Outstanding	-	-	-	-	-
Vested	645,000	100,000	-	-	-
Exercised	-	-	-	-	-
Canceled	4,000	-	-	-	-
March 31, 2012 - Outstanding	641,000	100,000	-	-	-
For the year ended March 31, 2013					
Non-vested					
March 31, 2012 - Outstanding	-	-	853,000	1,043,000	-
Granted	-	-	-	-	939,000
Canceled	-	-	26,000	29,000	4,000
Vested	-	-	827,000	-	-
March 31, 2013 - Outstanding	-	-	-	1,014,000	935,000
Vested					
March 31, 2012 - Outstanding	641,000	100,000	-	-	-
Vested	-	-	827,000	-	-
Exercised	332,000	58,000	398,000	-	-
Canceled	12,000	-	4,000	-	-
March 31, 2013 - Outstanding	297,000	42,000	425,000	-	-
Exercise price	¥ 358	¥ 378	¥ 332	¥ 249	¥ 275
	($ 3.81)	($ 4.02)	($ 3.53)	($ 2.65)	($ 2.92)
Average stock price at exercise	¥ 614	¥ 615	¥ 606	-	-
	($ 6.53)	($ 6.54)	($ 6.44)	-	-
Fair value price at grant date	¥ 84.20	¥ 86.69	¥ 67.59	¥ 53.03	¥ 53.98
	($ 0.90)	($ 0.92)	($ 0.72)	($ 0.56)	($ 0.57)

The assumptions used to measure the fair value of the 2013-1 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.44 %
Estimated remaining outstanding period:	3.57 years
Estimated dividend:	¥8 per share
Risk-free interest rate:	0.13 %

14. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the year ended March 31, 2013 and 40% for the year ended March 31, 2012.

The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	(Millions of yen)				(Thousands of U.S. dollars)	
		2013		2012		**2013**
Deferred tax assets:						
Allowance for doubtful accounts	¥	**433**	¥	433	$	**4,602**
Enterprise tax payable		**644**		103		**6,854**
Employees' bonuses		**1,828**		637		**19,433**
Retirement benefits to employees		**2,139**		2,168		**22,739**
Retirement benefits to directors and Audit & Supervisory Board members		**59**		86		**625**
Statutory reserves		**66**		58		**705**
Loss on devaluation of investment securities		**423**		421		**4,497**
Loss on impairment of fixed assets		**864**		866		**9,190**
Other		**1,553**		851		**16,510**
Sub total		**8,009**		5,623		**85,155**
Tax loss carried forward		**469**		694		**4,984**
Deferred tax assets		**8,478**		6,317		**90,139**
Valuation allowance		**(2,808)**		(2,890)		**(29,854)**
Total deferred tax assets	¥	**5,670**	¥	3,427	$	**60,285**
Deferred tax liabilities:						
Gain on contribution of securities to employees' retirement benefit trust	¥	**1,122**	¥	1,122	$	**11,933**
Unrealized gains on available-for-sale securities		**548**		-		**5,829**
Other		**213**		167		**2,261**
Deferred tax liabilities		**1,883**		1,289		**20,023**
Total deferred tax liabilities	¥	**1,883**	¥	1,289	$	**20,023**
Net deferred tax assets	¥	**3,787**	¥	2,138	$	**40,262**

A reconciliation between the effective income tax rate reflected in the accompanying consolidated statement of income and the effective statutory tax rate for the year ended March 31, 2012 was as follows:

	2012
Effective statutory tax rate	39.55%
Increase (decrease) due to:	
Permanent differences, such as entertainment expenses	4.52
Permanently non-taxable items, such as dividend income	(9.55)
Tax loss carried forward	(0.07)
Inhabitants tax per capita levy	1.63
Equity in gain of associated companies	(2.96)
Valuation allowance	0.10
Adjustment for unrealized profits resulting from transactions within the Group and other - net	8.72
Effect of tax rate reduction	1.86
Other	2.63
Effective income tax rate	46.43%

Such information for the year ended March 31, 2013 is not presented as the difference is less than 5% of the effective statutory tax rate.

15. Financial instruments and related disclosures

(1) Group policy for financial instruments

The Group is involved in the financial instruments trading business, including trading securities, acting as an intermediary of securities trading, underwriting and offering securities, soliciting and offering securities, offering private placement securities and other financial instruments trading business, and services related or incidental to financial instruments trading business. Due to the Group's involvement in the financial instruments trading business, the Group owns financial instruments.

In conducting its financial instruments trading business, the Group sets its basic policy as providing accurate information to meet its various customers' needs and products through transactions inside or outside of the stock exchange market. The Group intends to realize sound market functions and smooth execution of agency trades in the exchange market, and fair price formation and smooth distribution of financial instruments for trading outside the exchange market.

To raise funds to operate the financial instruments trading business, in addition to using indirect financing such as bank loans, the Group issues commercial paper taking into account 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 the following:

(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 bond futures and bond options; derivatives traded on outside exchanges, such as bonds with options, over-the-counter securities options, foreign exchange forward contracts, currency rate swaps, and interest rate swaps; and securities such as stock held for investment;

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

(c) Deposits paid for securities borrowed / deposits received for securities loaned based on collateralized financing agreements with institutional investors; loan receivables as consideration for purchases of bonds under resell agreements / borrowings as proceeds from sales 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 and interest rate and foreign exchange rate fluctuations. 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 credit risks that occur when transaction counterparties default. In addition, due to a lack of liquidity, some of these financial instruments are exposed to market liquidity risks that trigger losses due to market turmoil which may result in the Group's inability to transact in the market or cause the Group to conduct transactions at significantly unfavorable prices.

Also, with regards to the funding side, the Group owns financial liabilities such as commercial paper and borrowings from financial institutions. As a result of a downturn in the Group's business or other reasons, these financial instruments are exposed to funding liquidity risk resulting in obstacles to raising funds or being forced to borrow at significantly higher interest rates than usual, leading to losses.

Besides these assets and liabilities, the Group owes financial liabilities such as temporary deposits received from customers for their securities transactions, guarantee deposits received from customers as transaction deposits for margin transactions and derivative transactions. The financial assets attributable to customers in these transactions are segregated from our own financial assets and entrusted as segregated customer's money trust to the trust bank in accordance with the rules of Financial Instruments and Exchange Act.

(3) Risk management for financial instruments

(a) Comprehensive risk management
Due to the complexity and diversification of product lines 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 operations, the main business line of our Group. The Company puts risk management for the entire group and each group company as one of the first priorities for the business. The Company and each group company established a

risk management basic policy in order to control risks appropriately by identifying, analyzing, and managing risks as the responsibility of each group company and to maintain the soundness of business for a long period of time.

In accordance with this risk management basic policy, the Company established the Total Risk Management Committee to provide the framework for securing financial soundness and profits through gathering, managing and controlling information on various risks inherent in the Company and each group company. The committee discusses risk management within the Company and each group company, status of compliance and disaster risk management. The committee meets monthly to monitor implementation status and to provide the framework of reporting of necessary information to the Board of Directors.

In addition, in accordance with the risk management basic policy, Tokai Tokyo Securities, a class I financial instruments trader in the Group, established the Market Risk Committee and Credit and Operational Risk Committee and established the related rules to facilitate the risk management system to prepare for market risk, credit risk and liquidity risk. From the perspective of securing business and financial soundness, Tokai Tokyo Securities set the "target of controlled equity ratio" that should be maintained at minimum and established a basic policy for the purpose of the risk management operations to keep the "target". The risk limits led by the "target" is approved at the board meeting after deliberation by the Market Risk Committee. Regarding risk management relating to the financial instruments trading business, which is our principal business, the risk controlling department, which is organizationally and physically independent from the trading execution department, performs risk control by calculating risk, positions and profit or loss on a daily basis and reports it along with the status of the capital adequacy ratio of Tokai Tokyo Securities to management and related departments every day. In addition, a discussion and report on risk management is made at the Market Risk Committee meeting which is held twice a month and at the Credit and Operational Risk Committee meeting which is held once a month.

(b) Management of market risk

Tokai Tokyo Securities sets basic policies relating to market risk management based on the Group's risk management rules and manages the proprietary trading operations conducted by the market sales enhancement division.

The Board of Directors of Tokai Tokyo Securities sets market risk limits within the risk limits that are derived by the "target of controlled equity ratio" that should be maintained at a minimum.

In addition, in order to structure a management system that checks excessive risk taking actions, Tokai Tokyo Securities also enhances the functions of overall risk management by the following: to the extent of the market risk limit of the Group, the Market Risk Committee restricts market risk by setting the VaR (Value at Risk) based position limit on each department holding proprietary trading positions taking into account the budget and profit performance of each department; setting loss limits and warning lines for additional monitoring for each department during the period in order to prevent losses from increasing; and maintaining the Group's internal rules.

The management method of market risk for the positions held by the 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 day holding periods, observation period 750 days); and daily back testing of the relationship between the VaR (holding period one day) data and daily profit/loss data, periodically.

The department which owns positions exposed to market liquidity risk, which is triggered when it becomes impossible to execute transactions in the market because of market turmoil, etc. caused by low liquidity or which arises when the Group is forced to enter into the transactions at significantly unfavorable prices, sets an upper limit on the exposure of the market liquidity risk position.

The risk limit set and allocated to related departments, use of loss limits, profits and losses, stress value and status of market liquidity risk positions are analyzed, managed on a daily basis and reported to top management by an organizationally and physically independent department from the proprietary dealing department. Also, analysis of market risk management and overall reports are made to the Market Risk Committee which meets twice a month. In addition, the status of market risk management is reported on monthly to the Board of Directors.

The estimated amount of market risk (estimated amount of loss) of proprietary trading of Tokai Tokyo Securities as of March 31, 2013 and 2012 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Amount of Market Risk (VaR) of proprietary trading	**¥ 214**	¥ 214	**$ 2,275**

(Note) VaR measures the amount of market risk with a certain probability which is statistically calculated based on historical market fluctuations. Therefore, the risk may not be fully captured under a market environment that changes drastically.

(c) Credit risk management

Based on our risk management rules, Tokai Tokyo Securities controls the risk of incurring damages arising from the default of counterparties of transactions or other reasons within predetermined limits. The Market Risk Committee manages risks by setting credit risk limits on each financial product. Further, credit risk limits are also set on each counterparty of a transaction.

Upon setting the credit risk limits of each counterparty of a transaction, a department organizationally and physically independent from the execution department evaluates the financial conditions, etc. of each counterparty of the transaction and sets the upper limit of the credit and determines the acceptability of the transaction in accordance with the authority of granting the credit limit, taking into account the capital adequacy ratio of the counterparty or Tokai Tokyo Securities. It also reviews the credit limit periodically.

Also, in order to control the credit balance after the transaction contract, with the cooperation of the related department, the execution department periodically collects financial information of the counterparty and observes changes in the credit condition of the counterparty during the course of daily business operations. When the credit condition of the counterparty deteriorates, the risk control department consults with the related department and takes measures to secure the credit such as suspension of the transaction, reduction of the credit limit, change of the terms of the transaction or requiring collateral, to the extent of the approved credit limits.

Depending upon the nature of the products, the 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 a department organizationally and physically independent from the execution department. Also, the status of credit risk management and overall reports are made to the Credit and Operational Risk Committee on a monthly basis. In addition, the 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 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 prices and reputation to identify and assess liquidity risks for funding that may impact the Company's 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 the Company's funding based on the subsidiaries' performance.

Also, in order to secure the adequacy of funding management, the funding control department of Tokai Tokyo Securities determines the accurate funding situation based on the daily management status of various daily funding relating to funds raised and fund management and plans and controls the prospects of monthly and quarterly funding. The status and forecast of funding are reported monthly to the Board of Directors.

The risk control department conducts as-needed management relating to funding in response to movements in the market environment. Information relating to the activities are reported to the Board of Directors after promptly assessing the impact on funding.

In relation to the securing of assets for payment reserves and the fund raising method, the funding management department secures the financing method depending upon the degree of funding ability (normal, concerned, crisis, etc.) and payment reserve assets for settlements. In addition, it secures funding methods assuming a period of crisis by holding assets available for sale or collateral in Japan and overseas and setting borrowing facilities in order to obtain funds from commercial banks.

(4) Supplementary explanations of matters related to the fair value of financial instruments

Fair values of financial instruments include values based on market prices and values obtained by reasonable estimates when financial instruments have no market prices. Because certain assumptions are adopted in calculating these values, they may differ when different assumptions are adopted.

(5) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair values of financial instruments

The carrying amounts, aggregate fair values, and net unrealized gains (losses) of financial instruments at March 31, 2013 and 2012 were as follows:

	(Millions of yen)		
March 31, 2013	**Carrying amount**	**Fair value**	**Unrealized gains (losses)**
Cash and time deposits	**¥ 48,857**	**¥ 48,857**	**-**
Cash segregated as deposits related to securities transactions	**23,289**	**23,289**	**-**
Deposits paid for securities borrowed	**209,499**	**209,499**	**-**
Loans under resell agreements	**60,070**	**60,070**	**-**
Trading securities	**200,738**	**200,738**	**-**
Derivative assets	**2,803**	**2,803**	**-**
Receivables from brokers, dealers and clearing organizations	**8,181**	**8,181**	**-**
Receivables related to margin transactions	**31,817**	**31,817**	**-**
Investment securities	**6,292**	**6,292**	**-**
Assets total	**¥ 591,546**	**¥ 591,546**	**-**
Short-term borrowings	**¥ 142,328**	**¥ 142,328**	**-**
Commercial paper	**16,203**	**16,203**	**-**
Long-term debt	**5,684**	**5,684**	**-**
Deposits received for securities loaned	**38,910**	**38,910**	**-**
Borrowings under repurchase agreements	**114,758**	**114,758**	**-**
Trading securities	**87,628**	**87,628**	**-**
Derivative liabilities	**6,328**	**6,328**	**-**
Payables to brokers, dealers and clearing organizations	**33,676**	**33,676**	
Payables to customers	**18,207**	**18,207**	**-**
Payables related to margin transactions	**19,075**	**19,075**	**-**
Income taxes payable	**8,023**	**8,023**	
Liabilities total	**¥ 490,820**	**¥ 490,820**	**-**

March 31, 2012	Carrying amount	Fair value	Unrealized gains (losses)
	(Millions of yen)		
Cash and time deposits	¥ 43,701	¥ 43,701	
Cash segregated as deposits related to securities transactions	18,395	18,395	-
Deposits paid for securities borrowed	221,156	221,156	-
Loans under resell agreements	57,706	57,706	-
Trading securities	181,580	181,580	-
Derivative assets	16,943	16,943	-
Receivables from brokers, dealers and clearing organizations	35,005	35,005	-
Receivables related to margin transactions	24,405	24,405	-
Short-term investment securities	100	100	-
Investment securities	3,724	3,724	-
Assets total	¥ 602,715	¥ 602,715	-
Short-term borrowings	¥ 218,246	¥ 218,246	-
Commercial paper	15,888	15,888	-
Long-term debt	3,830	3,830	-
Deposits received for securities loaned	31,357	31,357	-
Borrowings under repurchase agreements	111,770	111,770	-
Trading securities	99,191	99,191	-
Derivative liabilities	11,991	11,991	-
Payables to customers	14,734	14,734	-
Payables related to margin transactions	12,320	12,320	-
Liabilities total	¥ 519,327	¥ 519,327	-

March 31, 2013	(Thousands of U.S. dollars) Carrying amount	Fair value	Unrealized gains (losses)
Cash and time deposits	**$ 519,482**	**$ 519,482**	**-**
Cash segregated as deposits related to securities transactions	**247,621**	**247,621**	**-**
Deposits paid for securities borrowed	**2,227,523**	**2,227,523**	**-**
Loans under resell agreements	**638,705**	**638,705**	**-**
Trading securities	**2,134,377**	**2,134,377**	**-**
Derivative assets	**29,811**	**29,811**	**-**
Receivables from brokers, dealers and clearing organizations	**86,982**	**86,982**	**-**
Receivables related to margin transactions	**338,299**	**338,299**	**-**
Investment securities	**66,901**	**66,901**	**-**
Assets total	**$6,289,701**	**$6,289,701**	**-**
Short-term borrowings	**$1,513,324**	**$1,513,324**	**-**
Commercial paper	**172,285**	**172,285**	**-**
Long-term debt	**60,436**	**60,436**	**-**
Deposits received for securities loaned	**413,713**	**413,713**	**-**
Borrowings under repurchase agreements	**1,220,182**	**1,220,182**	**-**
Trading securities	**931,720**	**931,720**	**-**
Derivative liabilities	**67,280**	**67,280**	**-**
Payables to brokers, dealers and clearing organizations	**358,069**	**358,069**	**-**
Payables to customers	**193,587**	**193,587**	**-**
Payables related to margin transactions	**202,812**	**202,812**	**-**
Income taxes payable	**85,302**	**85,302**	**-**
Liabilities total	**$5,218,710**	**$5,218,710**	**-**

Methods for determining fair values of financial instruments for the years ended March 31, 2013 and 2012 were as follows:

Cash and time deposits, Cash segregated as deposits related to securities transactions, Deposits paid for securities borrowed, Loans under resell agreements, 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 internal rules of fair value assessment.

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 internal rules.

Short-term borrowings, Commercial paper, Deposits received for securities loaned, Borrowings under repurchase agreements, 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.

Derivatives

Fair value information for derivatives is included in Note 6.

Long term debt

The fair value of long-term debt is set as equal to book value on the basis that carrying values of long-term debt approximate fair values because the long-term debt is based on variable interest rates reflecting market interest rates in a short period of time, and credit conditions have not significantly changed since the execution.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Investment in associated companies	**¥ 6,438**	¥ 5,983	**$ 68,458**
Available-for-sale securities			
Stocks (non-listed)	**3,469**	4,012	**36,883**
Other	**1,719**	1,583	**18,283**
Total	**¥ 11,626**	¥ 11,578	**$ 123,624**

The fair values of unlisted stocks are not included in “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 their fair values cannot be reliably determined.

(6) 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 deposits	**¥ 1,608**	**-**	**-**	**-**
Short-term investment securities and Investment securities				
Available-for-sale securities with maturity dates (Government Bonds)	**-**	**¥ 10**	**-**	**-**
Total	**¥ 1,608**	**¥ 10**	**-**	**-**

	(Thousands of U.S. dollars)			
	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 deposits	**$ 17,102**	**-**	**-**	**-**
Short-term investment securities and Investment securities				
Available-for-sale securities with maturity dates (Government Bonds)	**-**	**$ 107**	**-**	**-**
Total	**$ 17,102**	**$ 107**	**-**	**-**

Please see Note 7 for annual maturities of long-term debt.

16. Commitments and contingent liabilities

Contingent liabilities as of March 31, 2013 are summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Guarantees for employees' borrowings from a financial institution	**¥ 1**	**$ 12**

17. Commissions

Commissions earned for the years ended March 31, 2013 and 2012 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Brokerage	**¥ 9,995**	¥ 6,006	**$ 106,274**
Underwriting and distribution	**20,484**	12,136	**217,801**
Other	**6,181**	6,049	**65,717**
Total	**¥ 36,660**	¥ 24,191	**$ 389,792**

18. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Employees' compensation and benefits	**¥ 26,188**	¥ 22,708	**$ 278,449**
Brokerage and other commissions	**4,691**	4,157	**49,873**
Communication and transportation	**2,526**	2,772	**26,855**
Real estate expenses	**6,074**	5,959	**64,587**
Data processing and office supplies	**5,141**	5,803	**54,659**
Advertising	**1,035**	596	**11,009**
Taxes other than income taxes	**642**	511	**6,830**
Depreciation	**685**	776	**7,285**
Amortization	**1,782**	2,026	**18,941**
Other	**1,939**	2,085	**20,614**
Total	**¥ 50,703**	¥ 47,393	**$ 539,102**

19. Other income and expenses

The components of "Other income, net" in the consolidated statement of income for the years ended March 31, 2013 and 2012 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	**2013**
Dividend income	**¥ 312**	¥ 407	**$ 3,317**
Rental income	**680**	662	**7,237**
Equity in gains of associated companies	**838**	357	**8,910**
Net gain (loss) on sales and devaluation of investment securities	**22**	(466)	**237**
(Provision for) Reversal of statutory reserves	**(22)**	4	**(237)**
Gains on transfer of business	**390**	-	**4,146**
Gains on sales of fixed assets	**185**	-	**1,963**
Losses on disposal of fixed assets	**(82)**	(35)	**(876)**
Gain on contribution of investment securities to retirement benefit trust	**-**	188	**-**
Other (*1)	**237**	289	**2,522**
Total	**¥ 2,560**	¥ 1,406	**$ 27,219**

(*1) Amortization of negative goodwill included in "Other" amounted to ¥113 million ($1,207 thousand) and ¥151 million for the years ended March 31, 2013 and 2012, respectively.

20. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2013	2012	2013
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 2,942**	¥ (341)	**$ 31,285**
Reclassification adjustments to profit or loss	**17**	211	**187**
Amount before income tax effect	**2,959**	(130)	**31,472**
Income tax effect	**(548)**	-	**(5,829)**
Total	**¥ 2,411**	¥ (130)	**$ (25,643)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 218**	¥ (76)	**$ 2,311**
Reclassification adjustments to profit or loss	**-**	-	**-**
Amount before income tax effect	**218**	(76)	**2,311**
Income tax effect	**-**	-	**-**
Total	**¥ 218**	¥ (76)	**$ 2,311**
Total other comprehensive income	**¥ 2,629**	¥ (206)	**$ 27,954**

21. Per share information

Basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012 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, 2013:				
Basic EPS—Net income available to common shareholders	**¥ 11,273**	**263,766**	**¥ 42.74**	**$ 0.45**
Effect of dilutive securities:				
Warrants	**-**	**472**		
Diluted EPS—Net income for computation	**¥ 11,273**	**264,238**	**¥ 42.66**	**$ 0.45**
For the year ended March 31, 2012:				
Basic EPS—Net income available to common shareholders	¥ 2,546	269,296	¥ 9.45	

There were no dilutive securities for the year ended March 31, 2012.

22. Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures", and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures", 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.

(1) Information about sales, profit, assets, liabilities and other items by reportable segments

This information is not presented as the Group operates as a single reportable segment in the investment and financial service business.

(2) Information about products and services of the reportable segment

This information is not presented because operating revenues from third parties of a single product and service are over 90% of operating revenues in the consolidated statement of income.

(3) Geographical information

(a) Operating revenues
This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

(b) Property and equipment
This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(4) Information by major customers

This information is not presented because there are no customers for which sales account for more than 10% of revenues in the consolidated statement of income.

(5) Information about impairment losses on fixed assets, goodwill and negative goodwill by reportable segment

This information is not presented as the Group operates as a single reportable segment in the investment and financial service business.

23. Subsequent event

(1) Appropriation of Retained Earnings

On June 27, 2013, the shareholders approved the appropriation of retained earnings as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends, ¥12.00 ($0.13) per share	**¥ 3,174**	**$ 33,743**

Company Information

Corporate Directory (as of March 31, 2013)

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 of Incorporation	June 19, 1929
Common Stock	¥36,000,000,000
Total Outstanding Shares	280,582,115 shares
Number of Employees (Consolidated base)	2,178

Board of Directors and Audit & Supervisory Board Members (as of June 27, 2013)

Directors	Tateaki Ishida, President & CEO (Representative Director)
	Yoshimi Maemura, Director & Deputy President (Representative Director)
	Kenzo Ohara, Director & Senior Managing Executive Officer
	Ikuo Suzuki, Director
	Nobuhiro Morisue, Director
	Ichiro Mizuno, Director
	Masato Setta, Director
Audit & Supervisory Board Members	Akira Takeuchi (full-time)
	Yoshihiko Takizawa
	Shigeo Kashiwagi
	Kazuyoshi Tanaka
	Eiichiro Kinoshita

Note:1. Ikuo Suzuki, Nobuhiro Morisue, Ichiro Mizuno and Masato Setta are outside directors stipulated in paragraph 15, Article 2, of the Company Law.

2. Shigeo Kashiwagi, Kazuyoshi Tanaka and Eiichiro Kinoshita are outside audit & supervisory board members stipulated in paragraph 16, Article 2 of the Company Law.

Subsidiaries and Affiliates (as of September 2, 2013)

Overseas Subsidiaries	Tokai Tokyo Securities (Asia) LTD. Room 2708-10, 27/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, 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 9th Floor, New York, NY 10017 USA Tel: +1-646-495-5490 Fax: +1-646-495-5491
	Tokai Tokyo Investment Management Singapore Pte. Ltd. 8 Shenton Way #40-02 AXA Tower Singapore 068811 Tel: +65-6436-4250 Fax: +65-6327-9268
Domestic Affiliates	Tokai Tokyo Securities Co., Ltd.
	Utsunomiya Securities Co., Ltd.
	Tokai Tokyo Asset Management Co., Ltd.
	Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.
	Tokai Tokyo Investment Co., Ltd.
	Tokai Tokyo Research Center Co., Ltd.
	Tokai Tokyo Academy 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.
	Senshu Ikeda Tokai Tokyo Securities Co., Ltd.

Major Shareholders (as of March 31, 2013)

Shareholder Name	Percentage of Shares Outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7.65
Mitsui Sumitomo Insurance Co., Ltd.	6.54
Toyota Financial Services Corporation	5.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.66
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.54
The Bank of Yokohama, Ltd.	2.65
Nippon Life Insurance Company	2.12
Sumitomo Mitsui Trust Bank, Limited	1.82
Meiji Yasuda Life Insurance Company	1.67
Japan Trustee Services Bank, Ltd. (Trust Account for Sumitomo Mitsui Trust Bank, Limited retirement benefit trust account for Toyota Motor Corporation)	1.31

Note: 1. Percentage of the shares held by each large shareholder is calculated with the total number of shares outstanding net of treasury stocks as denominator.
2. Although we are the holder of 16,130 thousand shares in treasury stock, the table above does not include the name of ourselves.

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