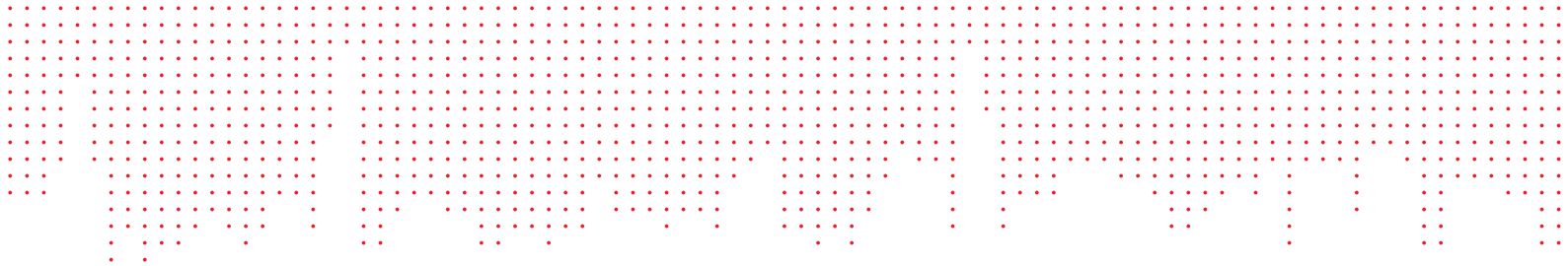




# ANNUAL REPORT 2009

For the Fiscal Year Ended March 31, 2009



## Profile

Tokai Tokyo Financial Holdings, Inc. made a new start on April 1, 2009 as 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.

The Tokai Tokyo Financial Group consists of Tokai Tokyo Financial Holdings, 11 companies (of which two are equity method affiliates) in Japan, and three companies overseas. 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
	2009	2008	2009
Total revenues	¥ 43,628	¥ 63,152	\$ 444,138
Operating income	(897)	14,073	(9,130)
Net income	2,483	9,025	25,275
Total assets	418,962	497,250	4,265,110
Total equity	104,332	106,482	1,062,118
<i>Per share of common stock</i>			
	Yen		U.S. dollars
Basic net income	¥ 9.35	¥ 34.00	\$ 0.10
Cash dividends applicable to the year	7.50	15.00	0.08

Note: U.S. dollar amounts are translated for convenience only at the rate of ¥98.23=U.S.\$1.00.

# To Our Shareholders

## Operating Environment

Since the beginning of financial crisis in September 2008, we have been suffering a setback caused by a downturn in the global economy of a magnitude said to occur only once in every 100 years. Japan has faced growing uncertainty about its economic outlook with faltering export due to rising Yen and depressed job market. As the government-led economic stimulus measures failed to show an immediate effect, GDP contracted at a double-digit rate in the second half of the fiscal year 2008. Domestic stock markets plummeted, following the plunges in U.S. stocks and the subsequently hastened liquidation of Japanese stocks by foreign investors, as well as under the sharp appreciation of the yen.

Amidst this worsening stock market environment, we, Tokai Tokyo Financial Group, tried hard weathering difficulty by adjusting operational focus such as reinforcing fixed-income related products and services. However, our consolidated financial result was very unfavorable in the face of the massive market fallout and increasingly risk-averse attitude of customers. Although we, as the group, posted consolidated net income of ¥2,483 million assisted by Other Income, we underperformed both in sales and profit in fiscal 2008 over the previous year.

However, with a recent recovery in the stock market, customers are becoming less risk-averse, and their need for financial products are changing. We will continue to enhance operation by timely grasping ever-changing customer needs through and by conducting in-depth market analysis. As such, we will offer financial products and services that meet customers' expectations.

At the beginning of fiscal 2009, we started a new three-year business plan that we named "TT Revolution." Under this new business plan, we will endeavor to grow assisted by the unique strength that makes our presence felt.

## Overview of fiscal 2008

As the U.S. economy was slowing in the wake of the subprime mortgage crisis, stock market declined precipitously in September last year sparked by the failure of Lehman Brothers. As a consequence, the Retail Business Unit, the provider of asset management services for individual customers dealing in stocks and other financial instruments, was a very disappointing performer in fiscal 2008. The Unit was directly affected by the market turmoil painfully noticed in weak sales of both stocks and investment trusts as well as in reduced assets under custody. Although sales of foreign currency-denominated

bonds and structured notes were solid, they could not quite counter-balance the collapse in stock and investment trust business.

Under this adversity, we organized emergency market seminars and investment trust follow-up meetings to relieve customers' concerns about their investment. By proactively providing detailed information on future stock market outlook to sustain the relationship of trust, we sought to expand transactions with our customers.

In the Investment Banking Business Unit, sales of structured bonds were sluggish due to falling stock prices and a stronger Yen, both negatively affecting its Corporate Assets Division, which deals with corporate and institutional investors. In contrast, trading of government and corporate bonds, and trading of foreign currency-denominated bonds for retail customers, were both healthy. The Dealing Division fared poorly under the immediate effect of the financial crisis that began in September 2008. The Division, however, upgraded risk management capability, which was something like we turned tough experience into some positive consequence. Fortunately, the Dealing Division showed improved performance in the latter second half of the fiscal year.

Current market is changing fast and customers, who once were nervous about risk taking during the financial crisis, are now gradually restoring interest in financial instruments for higher returns. The Group will closely monitor changes in customer needs associated with the evolving markets and will provide appealing financial instruments and services.

Meanwhile, the Company is vigorously cutting cost. We have been reviewing fixed cost, including personnel cost, information system expense, and real estate-related expense. We are driving cost containment initiative in whatever the area feasible, and the effort has produced some good result.

### **Growth strategy of Tokai Tokyo Financial Holdings, Inc.**

We created a holding company structure effective April 1, 2009 by setting up Tokai Tokyo Financial Holdings, Inc. With the electric share certificate system fully underway and the consolidation of bank-affiliated securities companies in progress, competition in the securities industry is intensifying rapidly. In response to the changing operating environment, we shifted ourselves to a holding company system and separated out management function of the Group from the execution of securities business. We believe that the change will allow us to develop growth strategies promptly and manage operations efficiently.

Considering the future of the securities industry, we think that planning strategy as an entire group rather than as an isolated daily operating securities company, will be the key to dynamic growth. We will seek further alliances, which, we consider, are absolute

necessity for us to make the Group's business base stronger. YM Securities Co., Ltd., jointly established by Tokai Tokyo Securities and the Yamaguchi Financial Group, commenced operation in October 2007 and has been steadily expanding its business. The Company also formed Hamagin Tokai Tokyo Securities Co., Ltd. jointly with the Bank of Yokohama in November 2008. Using the expertise the Company has accumulated through the preceding alliances, we will promote and expand unique alliance strategies in the way unrestricted by the conventional and customary framework of securities companies.

### **New three-year business plan “TT Revolution”**

Beginning fiscal year 2006, we have engaged ourselves in the three-year business plan, “Innovation Jump Up 5”, taking on five reform tasks. We, however, have fallen short of achieving all numerical targets due partly to a serious adverse effect of the global financial crisis occurred in the concluding fiscal year of the business plan. Nevertheless, we have managed to add some solid improvement to our management infrastructure. In reforming our business portfolio, we have shifted the focus of revenue generation from equities to bonds. We also moved operating focus from the retail business concentration to the investment banking business expansion.

We overhauled derivative operation and developed structured bond product in-house, which was one of the reform effects we had pursued to refine our products and services mix. When the market environment recovers, such a product should significantly help us broaden business base.

For further growth of the Group, we have drawn up a new three-year business plan that we call “TT Revolution” and we sets forth therein basic strategy in twofold. In a medium to long time horizon, we will focus on our growth, aiming to expand business base and we designate Tokai Tokyo Financial Holdings to undertake the execution of this growth strategy. In a short time horizon, we emphasize on productivity improvement, aiming to raise earnings capability. We assign Tokai Tokyo Securities Co., Ltd., our core operating body, to be a central driving force of such endeavor. We use five key monitoring criteria to make sure if the designed strategy is implemented truly the way we have planned and the subject criteria include growth potential (judgment criterion), productivity (judgment criteria in labor, products, customers, investments, and processes), customer loyalty (ethical criterion), communication (behavioral criterion), and Super Community House (community acceptance criterion).

Under the new business plan that began in April 2009 and lasts until March 2012, we aim to, at the least, double the current level (6 trillion Yen) of assets under custody that include assets of the consolidated subsidiaries and equity method affiliates. Concurrently, we aim to attain consolidated ROE of 10% or higher.

We envisage that the plan is the second milestone leading us to the status of the Premier House, a securities company that is a tier above our peers in the eyes of customers. By executing the plan, we aspire to become a financial service group with a securities company at its core, equipped to succeed in an increasingly competitive environment.

The unprecedented financial crisis at this time has granted the Group a great deal of experience hard way. We have learned a lot in the past months, acquiring expertise on risk management as well as capturing the ability to respond quickly to changes in the market. We have gained confidence in our management policy we have thus far clung to, as attested by successful expansion of the products and services we had accomplished under the previous business plan. We believe that such product expansion proved effective in underpinning business performance in the most challenging environment.

With the holding company system now in place, we have a flexible organizational structure and we have been pursuing alliance and other strategies for growth, anticipating and not missing a recovery in the market.

Our goal is to create a financial group significant enough to make its presence felt in the Japanese financial industry as one of the six largest securities companies in Japan. We will step up our efforts to meet the expectations of our shareholders, and we respectfully ask for your continued support for Tokai Tokyo Financial Holdings.



A handwritten signature in black ink, consisting of a stylized circular mark followed by a long, wavy horizontal line.

Tateaki Ishida  
President & CEO  
June 2009

## **Operating Result for fiscal 2008**

### **Operating Environment**

During the consolidated fiscal year under review (the period from April 1, 2008 to March 31, 2009), the Japanese economy experienced an unprecedented downturn. At a time when the U.S. economy was already slowing amid a financial crisis brought by sub-prime loans (mortgages extended to individuals with poor creditworthiness), the bankruptcy of Lehman Brothers, a major U.S. securities company, in September 2008 (an event known as the “Lehman shock”) accelerated global financial turmoil, resulting in a worldwide economic downturn. The Japanese economy was directly hit by this economic disarray. Production and export of Japan declined because of its recent increasing dependency on automobile industry under the direct influence of the industry’s global sales slump and the appreciation of the yen. In addition, unemployment fears emerged as a major social problem. Then, the Bank of Japan lowered its policy interest rate, and the government announced economic stimulus measures that include foremost a flat cash handout to every single household in Japan. However, none of these initiatives had worked immediately. Thus, the Japanese real gross domestic product (GDP) for the second half of the year under review contracted by double-digit, far worse than the falls seen anywhere else in major economies.

In this environment, the stock market fell significantly, following (i) a drop in the U.S. stock prices under the global economic slowdown, (ii) the rise of credit uncertainty stemming from the Lehman shock, forcing foreign investors to cash in their investments, and (iii) the appreciation of the yen, which temporarily rose to 87 yen to the dollar. The Nikkei Stock Average, which once jumped high to above 14,000 after opening at 12,000 at the beginning of the year under review, plunged in the end to an intraday low of below 7,000 on October 28, 2008. Later on, the Nikkei once bounced back to top 9,000 points because the market then was considered oversold according to technical analysis and investment indicators such as the price book-value ratio (PBR). However, there being no factor that makes a full price recovery possible, the market once again retreated in March 2009, this time staying at the level a little above 7,000. It had since recovered slightly, and closed at 8,109 at the end of the year under review, representing a market fall of 36% year on year, which is the largest fall in eight years. In terms of investor behaviors, foreign investors were net sellers, while personal investors and trust banks were net buyers. Recounting this market depression, the daily average transaction value on the First Section of the Tokyo Stock Exchange declined to meager 2,007.9 billion yen, compared with 2,879 billion yen in the previous fiscal year.

In contrast, the bond market generally remained firm. The yield of the 10-year JGB, the benchmark for long-term interest rates, rose briefly beyond 1.8%— reflecting a surge in crude oil prices—after commencing trading at the level of 1.295% at the beginning of the year under review. It then started to fall to 1.1% at the end of December, due to (i) the economic downturn, (ii) a falling stock prices, (iii) the appreciation of the yen, (iv) a fallen crude oil price, and (v) investor preference for safer investments. Meanwhile, the Bank of Japan lowered its policy interest rate cumulatively by 0.4% between October 2008 and December 2008 (from 0.5% to 0.1%). Although the economy continued to flounder in early 2009, the yield did not fall further and closed at 1.34% at the end of the year under review, under the pressure on the secondary market exerted by the large issuance of government bonds.

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

Under the above described circumstances, for the year under review, the group recorded Total

revenues of ¥43,628 million, falling 30.9% year-on-year, Net revenues of ¥41,650 million, declining 31.7%, and Selling, general and administrative expenses of ¥42,547 million, a reduction of 9.3%. Although the group posted an Operating loss of ¥897 million, it recorded Net income of ¥2,483 million owing to Other income.

(Commissions)

In the year under review, Commissions were ¥24,946 million down 42.7% from the previous year. Component analysis of the Commissions is given as follows:

( i ) Brokerage

Physical turnover in equity brokerage stood at 2,677 million shares, down 16.8% from the preceding year, with a value of ¥1,962.4 billion, down 40.7%. Overall, the company recorded Brokerage commission of ¥11,535 million, 40.8% less than a year earlier caused by a fall in equity brokerage commission.

(ii) Underwriting and distribution

The company recorded Underwriting and distribution commission of ¥5,712 million, a drop of 58.0% from the previous year. The Distribution commission for most part was earned from investment trust.

(iii) Other

Other commission, ¥7,699 million, fell short of the previous year by 26.2%. Most of this amount was attributable to agency commission from investment trusts.

(Net gain on trading)

In the year under review, net gain on the trading of bonds increased from the previous year, assisted by brisk sales of foreign currency-denominated bonds and structured notes. Net gain on the trading of stocks, on the other hand, dropped. As a result, Net gain on trading totaled ¥15,997 million, down 0.1% over previous year.

(Net interest and dividend income)

In the year under review, Interest and dividend income was ¥2,685 million, down 25.5% from the previous year. Meanwhile, Interest expense fell 7.9%, to ¥1,978 million. Hence, the Net interest and dividend income was ¥708 million, a year-to-year fall of 51.5%.

(Selling, general and administrative expenses)

In the fiscal year under review, Selling, general and administrative expenses were ¥42,547 million, down 9.3% from the previous year. Of that amount, Employees' compensation and benefits made up ¥20,461 million, a decline of 18.0%, with Real estate expenses at ¥5,909 million, up 2.6%, and Data processing and office supplies at ¥5,416 million yen, rising 20.6% both as main components under this expense item.

(Other income and expenses)

In the year under review, the main item of Other income was Gains on changes in interest in an equity investee of ¥2,825 million yen. The main item of Other expenses was Losses on disposal of fixed assets that amounted to ¥1,276 million.

# **Consolidated Financial Statements**

**Tokai Tokyo Financial Holdings, Inc.  
(Formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries**

**Years ended March 31, 2009 and 2008  
with Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Tokai Tokyo Financial Holdings, Inc. (the "Company", formerly Tokai Tokyo Securities Co., Ltd.) and consolidated subsidiaries (together, the "Group") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokai Tokyo Financial Holdings, Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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



June 26, 2009

## Consolidated Balance Sheets

Tokai Tokyo Financial Holdings, Inc. (formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries

As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>ASSETS</b>			
Cash on hand and in banks:			
Cash and time deposits (Notes 4 and 8)	¥ 80,552	¥ 64,708	\$ 820,031
Cash segregated as deposits related to securities transactions	16,397	18,997	166,930
	<u>96,949</u>	<u>83,705</u>	<u>986,961</u>
Collateralized short-term financing agreements:			
Deposits paid for securities borrowed	90,543	134,868	921,750
Trading assets (Notes 5 and 8)	152,025	173,499	1,547,645
Receivables:			
Receivables from brokers, dealers and clearing organizations	9,503	2,474	96,738
Receivables from customers	193	546	1,967
Receivables related to margin transactions	23,373	63,023	237,944
Other	4,857	2,780	49,446
	<u>37,926</u>	<u>68,823</u>	<u>386,095</u>
Less: allowance for doubtful accounts	(41)	(65)	(425)
	<u>37,885</u>	<u>68,758</u>	<u>385,670</u>
Investment securities (Notes 6 and 8)	13,287	9,356	135,261
Deferred tax assets (Note 11)	1,649	1,270	16,784
Other assets:			
Property and equipment (Note 8)	16,531	16,380	168,290
Less: accumulated depreciation	(6,085)	(5,966)	(61,945)
	<u>10,446</u>	<u>10,414</u>	<u>106,345</u>
Lease deposits	3,643	3,489	37,083
Other	13,198	12,577	134,362
	<u>27,287</u>	<u>26,480</u>	<u>277,790</u>
Less: allowance for doubtful accounts	(663)	(686)	(6,751)
	<u>26,624</u>	<u>25,794</u>	<u>271,039</u>
<b>Total assets</b>	<b>¥ 418,962</b>	<b>¥ 497,250</b>	<b>\$ 4,265,110</b>

## Consolidated Balance Sheets

Tokai Tokyo Financial Holdings, Inc. (formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries

As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>LIABILITIES AND EQUITY</b>			
Borrowings:			
Short-term borrowings (Notes 7 and 8)	¥ 151,538	¥ 123,522	\$ 1,542,683
Commercial paper (Note 7)	13,400	17,400	136,415
Long-term borrowings (Note 7)	2,350	2,500	23,923
	<b>167,288</b>	<b>143,422</b>	<b>1,703,021</b>
Trading liabilities (Note 5)	69,757	123,171	710,134
Collateralized short-term financing agreements:			
Deposits received for securities loaned (Note 8)	16,810	58,159	171,128
Securities sold under repurchase agreements (Note 8)	29,587	1,598	301,206
	<b>46,397</b>	<b>59,757</b>	<b>472,334</b>
Payables:			
Payables to brokers, dealers, and clearing organizations	56	5,350	574
Payables to customers	15,359	19,558	156,360
Payables related to margin transactions (Note 8)	7,989	28,777	81,332
Other	2,390	2,722	24,325
	<b>25,794</b>	<b>56,407</b>	<b>262,591</b>
Accrued and other liabilities:			
Income taxes payable	71	1,548	722
Employees' bonuses	850	1,901	8,656
Liability for retirement benefits (Note 9)	1,152	989	11,731
Other (Note 6)	2,960	2,560	30,127
	<b>5,033</b>	<b>6,998</b>	<b>51,236</b>
Statutory reserves (Note 2 (i))	361	1,013	3,676
Total liabilities	<b>314,630</b>	<b>390,768</b>	<b>3,202,992</b>
Commitments and contingent liabilities (Notes 12 and 13)			
Equity (Note 10)			
Common stock:			
authorized: 972,730,000 shares			
issued: 285,582,115 shares in 2009 and 2008	36,000	36,000	366,487
Capital surplus	37,569	37,574	382,459
Retained earnings	41,217	42,052	419,597
Net unrealized (loss) gain on available-for-sale securities	(408)	206	(4,151)
Foreign currency translation adjustments	(689)	(202)	(7,010)
Less: treasury stock, at cost: 20,182,683 shares in 2009; 20,142,739 shares in 2008	(9,661)	(9,655)	(98,356)
Total	<b>104,028</b>	<b>105,975</b>	<b>1,059,026</b>
Minority interests	304	507	3,092
Total equity	<b>104,332</b>	<b>106,482</b>	<b>1,062,118</b>
Total liabilities and equity	<b>¥ 418,962</b>	<b>¥ 497,250</b>	<b>\$ 4,265,110</b>

See notes to consolidated financial statements.

## Consolidated Statements of Income

Tokai Tokyo Financial Holdings, Inc. (formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Revenues:			
Commissions (Note 14)	¥ 24,946	¥ 43,532	\$ 253,955
Net gain on trading	15,997	16,013	162,847
Interest and dividend income	2,685	3,607	27,336
Total revenues	43,628	63,152	444,138
Interest expense	1,978	2,147	20,133
Net revenues	41,650	61,005	424,005
Selling, general and administrative expenses (Note 15)	42,547	46,932	433,135
Operating income	(897)	14,073	(9,130)
Other, net (Note 16)	3,336	1,435	33,964
Income before income taxes and minority interests	2,439	15,508	24,834
Income taxes (Note 11):			
Current	228	5,154	2,319
Deferred	(247)	1,348	(2,508)
	(19)	6,502	(189)
Minority interests	(25)	(19)	(252)
Net income	¥ 2,483	¥ 9,025	\$ 25,275

Per share of common stock (Notes 2 (o) and 17):	Yen		U.S. dollars
	¥	¥	\$
Basic	9.35	34.00	0.10
Diluted	—	34.00	—
Cash dividends applicable to the year	7.50	15.00	0.08

## Consolidated Statements of Changes in Equity

Tokai Tokyo Financial Holdings, Inc. (formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Thousands of shares		Millions of yen									
	Common stock	Treasury stock	Common stock	Capital surplus	Retained earnings	Net unrealized (loss) gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity	
Balance as of April 1, 2007	285,582	20,117	¥ 36,000	¥ 37,584	¥ 37,685	¥ 2,158	¥ (121)	¥ (9,634)	¥ 103,672	¥ 226	¥ 103,898	
Net income	—	—	—	—	9,025	—	—	—	9,025	—	9,025	
Cash dividends, ¥17.50 per share	—	—	—	—	(4,646)	—	—	—	(4,646)	—	(4,646)	
Purchase of treasury stock	—	61	—	—	—	—	—	(38)	(38)	—	(38)	
Disposal of treasury stock	—	(35)	—	(10)	—	—	—	17	7	—	7	
Decrease due to change in the scope of consolidated subsidiaries	—	—	—	—	(12)	—	—	—	(12)	—	(12)	
Net change in the year	—	—	—	—	—	(1,952)	(81)	—	(2,033)	281	(1,752)	
Balance as of March 31, 2008	285,582	20,143	¥ 36,000	¥ 37,574	¥ 42,052	¥ 206	¥ (202)	¥ (9,655)	¥ 105,975	¥ 507	¥ 106,482	
Net income	—	—	—	—	2,483	—	—	—	2,483	—	2,483	
Cash dividends, ¥12.50 per share	—	—	—	—	(3,318)	—	—	—	(3,318)	—	(3,318)	
Purchase of treasury stock	—	73	—	—	—	—	—	(22)	(22)	—	(22)	
Disposal of treasury stock	—	(33)	—	(5)	—	—	—	16	11	—	11	
Net change in the year	—	—	—	—	—	(614)	(487)	—	(1,101)	(203)	(1,304)	
Balance as of March 31, 2009	285,582	20,183	¥ 36,000	¥ 37,569	¥ 41,217	¥ (408)	¥ (689)	¥ (9,661)	¥ 104,028	¥ 304	¥ 104,332	

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital Surplus	Retained earnings	Net unrealized (loss) gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity	
Balance as of March 31, 2008	\$ 366,487	\$ 382,510	\$ 428,099	\$ 2,100	\$ (2,059)	\$ (98,289)	\$ 1,078,848	\$ 5,157	\$ 1,084,005	
Net income	—	—	25,275	—	—	—	25,275	—	25,275	
Cash dividends, \$0.13 per share	—	—	(33,777)	—	—	—	(33,777)	—	(33,777)	
Purchase of treasury stock	—	—	—	—	—	(229)	(229)	—	(229)	
Disposal of treasury stock	—	(51)	—	—	—	162	111	—	111	
Net change in the year	—	—	—	(6,251)	(4,951)	—	(11,202)	(2,065)	(13,267)	
Balance as of March 31, 2009	\$ 366,487	\$ 382,459	\$ 419,597	\$ (4,151)	\$ (7,010)	\$ (98,356)	\$ 1,059,026	\$ 3,092	\$ 1,062,118	

## Consolidated Statements of Cash Flows

Tokai Tokyo Financial Holdings, Inc. (formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries  
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 2,439	¥ 15,508	\$ 24,834
Adjustments for:			
Income taxes - paid	(1,564)	(9,156)	(15,924)
Depreciation and amortization	2,456	2,566	25,006
Provision for doubtful accounts	(45)	(61)	(461)
Provision for retirement benefits	164	(96)	1,666
Provision for statutory reserves	(652)	0	(6,634)
Net gains on sale of investment securities	(924)	(1,468)	(9,410)
Gains on change in interest in an equity investee	(2,825)	—	(28,761)
Losses on disposal of fixed assets	1,276	75	12,992
Net gains on sale of fixed assets	(5)	(15)	(47)
Losses on devaluation of investment securities	438	806	4,459
Changes in assets and liabilities:			
Decrease in receivables	29,885	61,259	304,240
Decrease in payables	(29,670)	(27,416)	(302,051)
Trading assets and liabilities	(33,006)	(3,323)	(336,010)
Collateralized short-term financing agreements	30,964	(22,269)	315,217
Other, net	819	4,426	8,339
Total adjustments	(2,689)	5,328	(27,379)
Net cash (used in) provided by operating activities	(250)	20,836	(2,545)
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(2,951)	(1,113)	(30,042)
Proceeds from sale of property and equipment	16	47	166
Purchase of investment securities	(2,064)	(2,250)	(21,019)
Proceeds from sale of investment securities	1,434	3,590	14,603
Proceeds from transfer of business	440	—	4,479
Other, net	(120)	(6,370)	(1,226)
Net cash used in investing activities	(3,245)	(6,096)	(33,039)
<b>Cash flows from financing activities:</b>			
Increase in short-term borrowings - net	27,988	14,011	284,920
Proceeds from long-term borrowings	—	2,500	—
Repayments of long-term borrowings	(50)	(150)	(509)
Proceeds from commercial paper	138,500	174,400	1,409,956
Redemption of commercial paper	(142,500)	(175,100)	(1,450,677)
Purchase of treasury stock	(12)	(35)	(118)
Disposal of treasury stock	—	4	—
Dividends paid	(3,318)	(4,646)	(33,777)
Subscription money received from minority shareholders	6,337	74	64,511
Dividends to minority shareholders	(177)	(3)	(1,799)
Return of capital to minority shareholders due to dissolution of YST-1 (a special purpose company)	(250)	—	(2,545)
Net cash provided by financing activities	26,518	11,055	269,962
Foreign currency translation adjustments on cash and cash equivalents	(713)	(91)	(7,256)
Net increase in cash and cash equivalents	22,310	25,704	227,122
(Decrease) increase in cash and cash equivalents due to change in the scope of consolidation	(6,466)	128	(65,834)
Cash and cash equivalents at the beginning of year	63,485	37,653	646,295
Cash and cash equivalents at the end of year (Note 4)	¥ 79,329	¥ 63,485	\$ 807,583

## **Notes to Consolidated Financial Statements**

### **Tokai Tokyo Financial Holdings, Inc. (formerly Tokai Tokyo Securities Co., Ltd.) and Consolidated Subsidiaries Years ended March 31, 2009 and 2008**

#### **1. Basis of presenting consolidated financial statements**

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

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

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have reclassified and/or recapitulated for the convenience of readers outside Japan. In addition, certain amounts in the 2008 financial statements and notes have been reclassified to conform with the 2009 presentation.

The translation of yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 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, 2009 include the accounts of the Company and its 15 (14 in 2008) subsidiaries.

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

Investments in two (one in 2008) affiliates are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of

accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

#### **b. Business combination**

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

The Company transferred certain business to YM Securities Co., Ltd. and Hamagin Tokai Tokyo Securities Co., Ltd. through a corporate split during the year ended March 31, 2009.

#### **c. Cash and cash equivalents**

Cash and cash equivalents disclosed in the consolidated statements of cash flows comprise cash on hand, demand deposits and ordinary deposits which can be easily liquidated on demand with original maturities of three months or less.

#### **d. Financial instruments**

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

- a) Buying and selling of securities
- b) Market transactions of derivatives
- c) Foreign market transactions of derivatives
- d) Over-the-counter transactions of derivatives

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

Other securities are held for non-trading purposes as available-for-sale and classified as investment securities. Available-for-sale securities that have a market quotation are stated at the market price prevailing at the end of the fiscal year. Differences between the cost of securities held determined by the moving average method and the fair value less associated deferred taxes are recorded in the “Net unrealized gain or loss on available-for-sale securities” in “Equity” on the consolidated balance sheets. Available-for-sale securities without a market quotation are stated at cost as determined by the moving average or are stated at amortized cost. Where available-for-sales securities have declined significantly

and such impairment of value is deemed not temporary, such securities are written down to their fair value and the resulting losses are charged to income for the period.

**e. Property and equipment**

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

Buildings	2-50 years
Fixtures and furniture	3-20 years

**f. Long-lived assets**

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

**g. Intangible fixed assets**

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

**h. Retirement benefits**

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

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

**i. Statutory reserves**

The Japanese Financial Instruments and Exchange Act and its related regulations require a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions, derivative transactions or other related trading.

(Additional information)

Effective April 1, 2008, with enforcement of the Japanese Financial Instruments and Exchange Act, the amounts of reserves to be maintained are determined by the formula stipulated in Article 175 of the "Cabinet Office Ordinance on Financial Instruments Businesses" in accordance with Article 46-5 of the "Japanese Financial Instruments and Exchange Act." For the previous years, the amounts of the reserves were determined by the formula stipulated in other laws. The effect of this change was to increase

income before income taxes by ¥482 million (\$4,902 thousand) for the year ended March 31, 2009.

**j. Accounting for leases**

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

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

All other leases are accounted for as operating leases.

**k. Bonuses to directors and corporate auditors**

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

**l. Income taxes**

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

**m. Foreign currency transactions**

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

**n. Foreign currency financial statements**

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

**o. Per share information**

Basic net income per share is computed by dividing net income available to common shareholders by the

weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

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

**p. New accounting pronouncements**

**Business Combinations**—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows:

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

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

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

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

**Asset Retirement Obligations**—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expenses through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying

amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

### **3. Business combination**

#### a. Business transfer to YM Securities Co., Ltd. through a corporate split

A resolution was passed at the board of directors' meeting of the Company held on March 6, 2008 that the financial instruments business of the Company at its Hiroshima and Shimonoseki Branches be spun off using the corporate split method, and then transferred to YM Securities Co., Ltd. (an affiliated company, the investment in which is accounted for by the equity method). The absorption-type corporate split agreement was signed on March 6, 2008 and the corporate split was registered effective on April 28, 2008.

##### (1) Method of the split

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

##### (2) Allotment with respect to the split

YM Securities Co., Ltd. (the successor corporation) paid ¥440 million (\$4,479 thousand) of cash to the Company (the split corporation) as consideration for this corporate split. A gain of ¥264 million (\$2,688 thousand) on transfer of the business was reported in "Other" in the statement of income.

##### (3) Assets and liabilities spun off were as follows:

Assets	(Millions of yen)	(Thousands of U.S. dollars)
Cash segregated as deposits related to securities transactions	¥ 723	\$ 7,362
Receivables related to margin transactions	100	1,012
<b>Total</b>	<b>¥ 823</b>	<b>\$ 8,374</b>

Liabilities	(Millions of yen)	(Thousands of U.S. dollars)
Payables to customers	¥ 723	\$ 7,362
Payables related to margin transactions	100	1,012
<b>Total</b>	<b>¥ 823</b>	<b>\$ 8,374</b>

#### b. A capital increase of Hamagin Tokai Tokyo Securities Co., Ltd. ("HTTS") through a third party allotment, which resulting in the change in the scope of consolidation

A resolution was passed at the board of directors' meeting of HTTS, a consolidated subsidiary of the Company, held on August 27, 2008 that the share capital of HTTS be increased through a third party allotment to The Bank of Yokohama, Ltd. (the "Bank"), and the capital increase was completed on November 4, 2008.

##### (Outline of the capital increase)

##### (1) Method of offering or allocation

- Allocation to a third party
- (2) Number of shares newly issued
- |                   |                                    |
|-------------------|------------------------------------|
| Common stock      | 306 shares                         |
| Issue price       | ¥20,660,000 (\$210,323) per share  |
| Total issue price | ¥6,322 million (\$64,358 thousand) |
- Amount capitalized:
- |                 |                                    |
|-----------------|------------------------------------|
| Common stock    | ¥3,161 million (\$32,179 thousand) |
| Capital surplus | ¥3,161 million (\$32,179 thousand) |
- (3) Due date for application                      October 31, 2008
- (4) Due date for payment                          November 4, 2008
- (5) Outline and purpose of the transaction:

In order to respond to broad array of customer needs, the Company and the Bank jointly established HTTS, a securities subsidiary that takes full advantage of both companies' strengths – rich customer bases and dense branch network of the Bank, and cutting-edge skills and know-how of the Company. The financial instruments business of the Company at its six branches in Kanagawa prefecture (Konandai, Ofuna, Yokosuka, Chigasaki, Sagamiyama and Futamatagawa Branch) was spun off effective November 4, 2008 and was transferred to HTTS to strengthen the management base by concentrating management resources of the Company and the Bank, and to provide better services and increased convenience to customers.

Assets and liabilities spun off and transferred were as follows:

Assets	(Millions of yen)	(Thousands of U.S. dollars)
Cash on hand and in banks	¥ 5	\$ 47
Cash segregated as deposits related to financial instruments business	586	5,970
Receivables related to margin transactions	653	6,651
Accrued income and other	11	108
<b>Total current assets</b>	<b>1,255</b>	<b>12,776</b>
Property and equipment	82	835
Intangible assets	7	76
Investments and other assets	165	1,678
<b>Total fixed assets</b>	<b>254</b>	<b>2,589</b>
<b>Total</b>	<b>¥ 1,509</b>	<b>\$ 15,365</b>

Liabilities	(Millions of yen)	(Thousands of U.S. dollars)
Payables to customers	¥ 586	\$ 5,970
Payables related to margin transactions	653	6,651
Other	1	3
<b>Total</b>	<b>¥ 1,240</b>	<b>\$ 12,624</b>

The Company and the Bank entered into a “Memorandum of Agreement on Joint Establishment of a Securities Subsidiary” on August 27, 2008 and agreed that, immediately upon completion of the corporate split, the Bank would subscribe for new shares issued by HTTS in connection with the capital increase of HTTS, and that the Company and the Bank would jointly establish a securities subsidiary. The capital increase of HTTS through a third party allotment to the Bank was completed

November 4, 2008.

(6) Gains on change in interest in an equity investee

The capital increase of HTTS described above resulted in the decrease in the Company's interest in HTTS. Consequently, HTTS became an affiliated company of the Company and the Company recognized ¥2,825 million (\$28,761 thousand) of "gains on change in interest in an equity investee" as other income in the consolidated statements of income.

#### **4. Cash and cash equivalents**

Reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets as of March 31, 2009 and 2008 is presented as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Cash and time deposits	¥ 80,552	¥ 64,708	\$ 820,031
Time deposits with maturity of over three months	(1,223)	(1,223)	(12,448)
Cash and cash equivalents	¥ 79,329	¥ 63,485	\$ 807,583

#### **5. Trading assets and liabilities**

Trading assets and liabilities are recorded at fair value with unrealized gains and losses recognized currently as "Net gain on trading" in the consolidated statements of income. Sales of securities that the Company does not currently own, and will therefore be obligated to purchase at future dates ("short sales"), are included in trading liabilities. Purchases and sales of trading instruments are recognized on their respective trade dates. Unrealized gains and losses arising from the Company's dealings in over-the-counter ("OTC") financial instruments are presented in the accompanying consolidated balance sheets on a gross basis as assets or liabilities.

The fair values of the trading positions are generally based on listed market prices. If listed market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations and price quotations for similar instruments or from pricing models. Valuation pricing models consider current market and contractual prices for the underlying financial instruments as well as time value, interest rate, dividend yield, time to expiration, volatility factors, market liquidity and other statistical adjustments relevant to the instrument or similar instruments.

(1) Trading assets and liabilities as of March 31, 2009 and 2008 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)	
	2009	2008	2009	
Trading assets:				
Equity and warrants	¥ 7,489	¥ 13,792	\$	76,242
Bonds	137,678	151,089		1,401,585
Beneficiary certificates of investment trust	4,751	7,178		48,364
Derivatives	1,828	695		18,614
Other	279	745		2,840
<b>Total</b>	<b>¥ 152,025</b>	<b>¥ 173,499</b>	<b>\$</b>	<b>1,547,645</b>
Trading liabilities:				
Equity and warrants	¥ 7,441	¥ 12,880	\$	75,752
Bonds	60,933	109,735		620,304
Derivatives	1,383	556		14,078
<b>Total</b>	<b>¥ 69,757</b>	<b>¥ 123,171</b>	<b>\$</b>	<b>710,134</b>

(2) Notional amounts and market value of derivatives as of March 31, 2009 and 2008 were as follows:

	(Millions of yen)			
	2009		2008	
	Notional amount	Market value	Notional amount	Market value
Assets:				
Options	¥ 25,632	¥ 292	¥ 200,633	¥ 315
Foreign exchange forward	26,808	64	-	-
Futures and forwards	2,853	33	3,965	34
Swaps	26,822	1,395	4,912	298
Foreign exchange margin trading	1,978	44	792	48
Liabilities:				
Options	¥ 153,387	¥ 1,078	¥ 140,575	¥ 134
Foreign exchange forward	-	-	9,221	10
Futures and forwards	542	4	6,311	4
Swaps	88,955	301	61,029	408

	(Thousands of U.S. dollars)	
	<b>2009</b>	
	<b>Notional amount</b>	<b>Market value</b>
<b>Assets:</b>		
Options	\$ 260,938	\$ 2,971
Foreign exchange forward	272,913	650
Futures and forwards	29,046	344
Swaps	273,049	14,203
Foreign exchange margin trading	20,137	446
<b>Liabilities:</b>		
Options	\$ 1,561,512	\$ 10,973
Futures and forwards	5,521	44
Swaps	905,578	3,061

### (3) Trading activities

#### (a) Details of trading

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

#### (b) Trading policy and purpose of use

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

#### (c) Details of risks related to trading

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

#### (d) Risk management system related to trading

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

Risk management essentially aims to adequately control risks in a way that suits the Company's financial conditions. Based on the management policies and budget that are formulated at the

beginning of the fiscal year, the Company sets risk limits, position limits and loss-cut rules.

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

## **6. Securities and derivatives other than those for trading purposes**

Investment securities as of March 31, 2009 and 2008 consisted of the following:

	(Millions of yen)					
	2009			2008		
	Acquisition cost	Balance sheets	Difference	Acquisition cost	Balance sheets	Difference
<b>Available –for-sale securities</b>						
Securities with market value that						
exceed acquisition cost:	¥ 821	¥ 1,150	¥ 329	¥ 1,993	¥ 2,913	¥ 920
Stocks	811	1,140	329	1,993	2,913	920
Bonds	10	10	0	-	-	-
Securities with market value that do						
not exceed acquisition cost:	4,193	3,430	(763)	3,284	2,726	(558)
Stocks	4,193	3,430	(763)	3,274	2,716	(558)
Bonds	-	-	-	10	10	(0)
Governmental/municipal bonds	-	-	-	10	10	(0)
	¥ 5,014	¥ 4,580	¥ (434)	¥ 5,277	¥ 5,639	¥ 362
Without market value:						
Stocks (non-listed)		¥ 3,934			¥ 2,733	
Other		1,158			285	
		5,092			3,018	
Sub total		¥ 9,672			¥ 8,657	
<b>Investments in affiliates</b>						
Without market value:						
Stocks (non-listed)		¥ 3,615			¥ 699	
Sub total		¥ 3,615			¥ 699	
Total		¥ 13,287			¥ 9,356	

(Thousands of U.S. dollars)			
<b>2009</b>			
	<b>Acquisition cost</b>	<b>Balance sheets</b>	<b>Difference</b>
<b>Available –for-sale securities:</b>			
Securities with market value that exceed acquisition cost:			
	\$ 8,359	\$ 11,704	\$ 3,345
Stocks	8,257	11,602	3,345
Bonds	102	102	0
Securities with market value that do not exceed acquisition cost:			
	42,680	34,920	(7,760)
Stocks	42,680	34,920	(7,760)
	\$ 51,039	\$ 46,624	\$ (4,415)
Without market value:			
Stocks (non-listed)		\$ 40,052	
Other		11,786	
		51,838	
Sub total		\$ 98,462	
<b>Investments in affiliates:</b>			
Without market value:			
Stocks (non-listed)		\$ 36,799	
Sub total		\$ 36,799	
Total		\$ 135,261	

The proceeds from sales of, and gross realized gains and losses on, investment securities for the years ended March 31, 2009 and 2008 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	<b>2009</b>	2008	<b>2009</b>
Proceeds from sales	¥ 1,434	¥ 3,590	\$ 14,603
Gross realized gains	925	1,469	9,422
Gross realized losses	(1)	(1)	(12)

Derivatives other than for trading purposes are included in accrued and other liabilities – other on the consolidated balance sheets. Notional amounts and market value of derivatives other than for trading purposes as of March 2009 and 2008 were as follows:

	(Millions of yen)			
	<b>2009</b>		2008	
	<b>Notional amount</b>	<b>Market value</b>	Notional amount	Market value
<b>Liabilities:</b>				
Swaps	¥ 1,500	¥ 12	¥ 1,500	¥ 11

	(Thousands of U.S. dollars)	
	<b>2009</b>	
	<b>Notional amount</b>	<b>Market value</b>
Liabilities:		
Swaps	\$ 15,270	\$ 123

## **7. Borrowings**

Borrowings as of March 31, 2009 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	(Weighted average interest rate)
	<b>2009</b>	2008	<b>2009</b>	<b>2009</b>
Short-term borrowings:				
Call money	¥ 20,000	¥ 8,000	\$ 203,604	
Borrowings from financial institutions	129,808	113,892	1,321,468	
Borrowings from securities finance companies	1,630	1,630	16,593	
Subtotal	¥ 151,438	¥ 123,522	\$ 1,541,665	0.62%
Current portion of long-term borrowings	100	-	1,018	2.00%
Total	¥ 151,538	¥ 123,522	\$ 1,542,683	
Commercial paper	¥ 13,400	¥ 17,400	\$ 136,415	1.2%~1.68%
Long-term borrowings:				
Borrowings from financial institutions	¥ 2,350	¥ 2,500	\$ 23,923	2.00%
Total borrowings	¥ 167,288	¥ 143,422	\$ 1,703,021	

The aggregate annual maturities of long-term borrowings as of March 31, 2009 are as follows:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
	<b>2009</b>	<b>2009</b>
2011	¥ 2,350	\$ 23,923
Total	¥ 2,350	\$ 23,923

## **8. Assets pledged as collateral**

(1) Assets pledged as collateral for borrowings as of March 31, 2009 and 2008 were summarized as follows:

	(Millions of yen)			
	Obligations secured by pledged assets	Pledged assets		Total
		Trading securities	Investment securities	
<b>2009</b>				
Short-term borrowings	¥ 86,830	¥ 101,314	¥ 1,351	¥ 102,665
Payables related to margin transactions	3,291	-	87	87
Deposits received for securities loaned	16,810	15,968	-	15,968
Securities sold under repurchase agreements	29,588	29,629	-	29,629
<b>Total</b>	¥ 136,519	¥ 146,911	¥ 1,438	¥ 148,349

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

2009	(Thousands of U.S. dollars)			
	Obligations secured by pledged assets	Pledged assets		Total
		Trading securities	Investment securities	
<b>Short-term borrowings</b>	<b>\$ 883,946</b>	<b>\$ 1,031,395</b>	<b>\$ 13,754</b>	<b>\$ 1,045,149</b>
<b>Payables related to margin transactions</b>	<b>33,504</b>	<b>-</b>	<b>886</b>	<b>886</b>
<b>Deposits received for securities loaned</b>	<b>171,128</b>	<b>162,557</b>	<b>-</b>	<b>162,557</b>
<b>Securities sold under repurchase agreements</b>	<b>301,206</b>	<b>301,632</b>	<b>-</b>	<b>301,632</b>
<b>Total</b>	<b>\$ 1,389,784</b>	<b>\$ 1,495,584</b>	<b>\$ 14,640</b>	<b>\$ 1,510,224</b>

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Stocks received as collateral from customers under self-financing margin transactions	¥ 2,156	¥ 5,262	\$ 21,944
Stocks received as collateral from customers for securities borrowed	788	6,772	8,022

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Cash in banks	¥ 300	¥ 300	\$ 3,054
Trading securities	4,788	740	48,746
Property and equipment	294	300	2,994
Investment securities	2,538	1,735	25,835
Stocks received from self-financing on margin transactions	61	3,575	623

(2) The fair value of securities pledged and received as collateral at March 31, 2009 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
<b>Pledged securities:</b>			
Securities loaned to customers for margin transactions	¥ 4,147	¥ 2,306	\$ 42,214
Securities pledged as collateral to securities finance companies or securities exchange brokers for margin transactions	3,794	25,507	38,622
Securities loaned for collateralized short-term financing agreements	16,779	58,101	170,818
Securities pledged related to securities sold under repurchase agreements	29,629	1,599	301,632
Securities pledged as collateral for short-term guarantees	11,226	18,020	114,278
Securities pledged as collateral for long-term guarantees	24	12	241
<b>Received securities:</b>			
Securities received from customers for loans under margin transactions	¥ 12,269	¥ 44,435	\$ 124,904
Securities borrowed from finance companies or securities exchange brokers for margin transactions	8,571	6,921	87,258
Short-term securities borrowed	90,431	146,888	920,603
Securities received as collateral for short-term guarantees	32,985	49,043	335,797
Other	161	978	1,639

## **9. Retirement benefits**

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

In March 2006, the comprehensive Securities Companies' Welfare Pension Fund, which administered the Company's employee pension fund program was dissolved. Hence, in place of the aforementioned employee pension fund program, the Company introduced a defined-contribution pension plan in January 2006. In addition, retirement benefits to directors and corporate auditors of ¥275 million (\$2,804 thousand) and ¥306 million were included in "Liability for retirement benefits" on the consolidated balance sheets as of March 31, 2009 and 2008, respectively.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Group as of March 31, 2009 and 2008:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Projected benefit obligations	¥ (10,240)	¥ (10,139)	\$ (104,244)
Plan assets including benefit trusts	5,348	7,368	54,442
Unfunded retirement benefit obligation	(4,892)	(2,771)	(49,802)
Unrecognized net actuarial differences	4,015	2,268	40,875
Net amounts reported in the consolidated balance sheets	(877)	(503)	(8,927)
Prepaid pension and severance costs	-	180	-
Liability for retirement benefits	¥ (877)	¥ (683)	\$ (8,927)

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 were outlined as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Service cost	¥ 678	¥ 639	\$ 6,902
Interest cost	189	181	1,925
Expected return on plan assets	(133)	(129)	(1,362)
Amortization of actuarial differences	314	34	3,200
Net periodic expenses	¥ 1,048	¥ 725	\$ 10,665
Contribution to defined contribution benefit plan	172	165	1,753
Total	¥ 1,220	¥ 890	\$ 12,418

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
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

## **10. Equity**

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

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors

may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

## 11. Income taxes

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Deferred tax assets:			
Retirement benefits to employees	¥ 1,915	¥ 1,756	\$ 19,492
Allowance for doubtful accounts	277	289	2,818
Loss on devaluation of investment securities	563	274	5,735
Loss on impairment of fixed assets	1,419	1,435	14,445
Statutory reserves	143	401	1,455
Retirement benefits to directors and corporate auditors	112	122	1,136
Employees' bonuses	337	753	3,432
Enterprise tax payable	7	149	76
Other	371	881	3,775
Sub total	5,144	6,060	52,364
Tax loss carried forward	1,344	310	13,689
Deferred tax assets	6,488	6,370	66,053
Valuation allowance	(3,432)	(3,658)	(34,945)
Total deferred tax assets	¥ 3,056	¥ 2,712	\$ 31,108
Deferred tax liabilities:			
Gains on contribution of securities to employees' retirement benefit trust	¥ 1,253	¥ 1,253	\$ 12,757
Net unrealized gain on available-for-sale securities	0	137	0
Other	154	53	1,567
Deferred tax liabilities	1,407	1,443	14,324
Valuation allowance	(0)	(1)	(0)
Total deferred tax liabilities	¥ 1,407	¥ 1,442	\$ 14,324
Net deferred tax assets	¥ 1,649	¥ 1,270	\$ 16,784

Reconciliations between the effective income tax rate reflected in the accompanying consolidated statements of income and the effective statutory tax rate for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Effective statutory tax rate	39.55%	39.55%
increase (decrease) due to:		
Permanent differences, such as entertainment expenses	8.22	1.72
Inhabitants tax per capita levy	2.59	0.50
Gains on change in interest in an equity investee	(45.81)	-
Equity in losses of affiliate companies	8.81	0.27
Valuation allowance	(9.18)	(0.31)
Adjustment for unrealized profit resulting from transactions within the Group and other - net	(4.94)	0.20
Effective income tax rate	(0.76%)	41.93%



***Pro forma information for the year ended March 31, 2008***

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on a “as if capitalized” basis for the year ended March 31, 2008 was as follows:

	As of March 31, 2008	
	(Millions of yen)	
Acquisition cost	¥	398
Accumulated depreciation		284
Net leased property	¥	114

Obligations under finance leases

	2008	
	(Millions of yen)	
Due within one year	¥	75
Due after one year		48
Total	¥	123

Depreciation expense, interest expense and other information under finance leases

	2008	
	(Millions of yen)	
Depreciation expense	¥	80
Interest expense		10
Total	¥	90

Lease payments ¥ 92

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

**13. Commitments and contingent liabilities**

There were no commitments as of March 31, 2009 that would have an adverse effect on the consolidated financial position or results of operation of the Company.

Contingent liabilities as of March 31, 2009 are summarized as follows:

	(Millions of Yen)	(Thousands of U.S. Dollars)
Guarantees for employees' borrowings from a financial institution	¥ 17	\$ 174

#### **14. Commissions**

Commissions earned for the years ended March 31, 2009 and 2008 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Brokerage	¥ 11,535	¥ 19,485	\$ 117,430
Underwriting and distribution	5,712	13,613	58,146
Other	7,699	10,434	78,379
Total	¥ 24,946	¥ 43,532	\$ 253,955

#### **15. Selling, general and administrative expenses**

Selling, general and administrative expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Employees' compensation and benefits	¥ 20,461	¥ 24,942	\$ 208,294
Brokerage and other commissions	2,164	2,567	22,026
Communication and transportation	2,823	3,034	28,741
Real estate expenses	5,909	5,759	60,156
Data processing and office supplies	5,416	4,490	55,134
Taxes other than income taxes	458	604	4,665
Depreciation	1,114	1,139	11,341
Amortization	1,342	1,427	13,665
Other	2,860	2,970	29,113
Total	¥ 42,547	¥ 46,932	\$ 433,135

## 16. Other income and expenses

The components of "Other, net" in the consolidated statements of income for the years ended March 31, 2009 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2008	2009
Dividend income	¥ 264	¥ 238	\$ 2,694
Rent income	362	325	3,688
Equity in losses of an affiliated company	(543)	(102)	(5,531)
Net gain on sales and devaluation of investment securities	486	662	4,951
Reversal of (provision for) statutory reserves	652	(0)	6,634
Gains on transfer of business (*1)	264	-	2,688
Gains on change in interest in an equity investee (*2)	2,825	-	28,761
Losses on disposal of fixed assets	(1,276)	(75)	(12,992)
System migration expenses	-	(73)	-
Other (*3)	302	460	3,071
<b>Total</b>	<b>¥ 3,336</b>	<b>¥ 1,435</b>	<b>\$ 33,964</b>

(\*1) Refer to Note3(a) for the detail.

(\*2) Refer to Note3(b) for the detail.

(\*3) Amortization of negative goodwill included in "Other" amounted to ¥19 million (\$195 thousand) and ¥83 million for the years ended March 31, 2009 and 2008, respectively.

## 17. Per share information

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)
	Net income	Weighted average shares	EPS	
<b><u>For the year ended March 31, 2009:</u></b>				
Basic EPS				
Net income available to common shareholders.....	¥ 2,483	265,421	¥ 9.35	\$ 0.10
<u>For the year ended March 31, 2008:</u>				
Basic EPS				
Net income available to common shareholders.....	¥ 9,025	265,458	¥ 34.00	
Effect of Dilutive Securities				
Stock options.....	-	6		
Diluted EPS				
Net income for computation.....	¥ 9,025	265,464	¥ 34.00	

Information on diluted EPS for the year ended March 31, 2009 is not presented, as there were no dilutive

shares outstanding as of March 31, 2009.

## **18. Segment information**

### (1) Segment information by type of business

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

### (2) Geographical segment information

Geographical segment information for the years ended March 31, 2009 and 2008 has been omitted because the "Japan" segment accounted for more than 90% of both total consolidated net sales and total assets.

### (3) Overseas sales (revenues)

Overseas sales for the years ended March 31, 2009 and 2008 have been omitted because they accounted for less than 10% of consolidated net sales.

## **19. Subsequent event**

### Appropriation of Retained Earnings

On June 26, 2009, the shareholders approved the appropriation of retained earnings as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥2.50=\$0.03 per share)	¥ 663	\$ 6,755

## Company Information

### Corporate Directory (as of June 28, 2009)

<b>Company Name</b>	Tokai Tokyo Financial Holdings, Inc.
<b>Head Office</b>	6-2, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan Tel: +81-3-3517-8100 (General Inquiries) Fax: +81-3-3517-8314
<b>Date Established</b>	June 19, 1929
<b>Paid-in Capital</b>	¥36,000,000,000
<b>Total Outstanding Shares</b>	285,582,115 shares (as of April 1, 2009)
<b>Number of Employees (Consolidated base)</b>	2,342 (as of April 1, 2009)

### Board of Directors and Statutory Auditors (as of April 1, 2009)

<b>Directors</b>	Tateaki Ishida, President & CEO
	Tadashi Kaneko, Executive Vice President & Representative Director
	Yoshimi Maemura, Director & Senior Managing Executive Officer
	Yasuo Takamatsu, Director
	Shingo Ichihara, Director
	Ikuo Suzuki, Director
<b>Statutory Auditors</b>	Kazue Kobayashi (full-time)
	Hiroichi Wakita
	Nobuhiro Morisue
	Shigeo Kashiwagi
	Kazuyoshi Tanaka

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

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

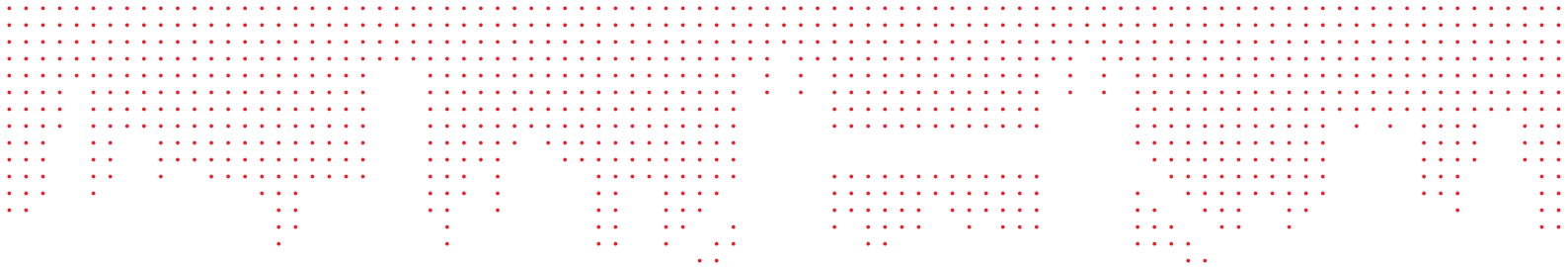
## Subsidiary And Affiliates (as of April 1, 2009)

<b>Overseas Subsidiary</b>	Tokai Tokyo Securities (Asia) LTD. Rooms 2103-4, Wing On Centre, 111 Connaught Road, Central, Hong Kong Tel: +852-2810-0822 Fax: +852-2810-0394
	Tokai Tokyo Securities Europe Limited City Tower, 40 Basinghall Street, London EC2V 5DE, United Kingdom Tel: +44-207-070-4600 Fax: +44-207-070-4649
	Tokai Tokyo Securities (USA), Inc. 330 Madison Avenue, New York, NY 10017 USA Tel: +1-646-495-5490 Fax: +1-646-495-5491
<b>Domestic Affiliates</b>	Tokai Tokyo Securities Co., Ltd.
	Utsunomiya Securities Co., Ltd.
	Tokai Tokyo Investment Management Co., Ltd.
	Tokai Tokyo Finance & Real Estate Co., Ltd.
	Tokai Tokyo Investment Co., Ltd.
	Tokai Tokyo Research Center Co., Ltd.
	Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.
	Tokai Tokyo Services Co., Ltd.
	Tokai Tokyo Business Service Co., Ltd.
	YM Securities Co., Ltd.
Hamagin Tokai Tokyo Securities Co., Ltd.	

## Major Shareholders (as of March 31, 2009)

Shareholder Name	Percentage of Shares Outstanding (%)
Mitsui Sumitomo Insurance Co., Ltd.	10.74
Japan Trustee Services Bank, Ltd. (Trust Account)	7.88
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	4.98
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.40
Meiji Yasuda Life Insurance Company	1.88
The Chuo Mitsui Trust and Banking Company, Ltd.	1.81
Japan Trustee Services Bank, Ltd. (Trust Account for The Sumitomo Trust and Banking Co., Ltd. retirement benefit trust account for Toyota Motor Corporation)	1.30
The Chukyo Bank, Ltd.	1.23
The Yamaguchi Bank, Ltd.	1.01

Note: 1. Percentage of shares outstanding is calculated with treasury stock being subtracted from the total number of issued shares.  
2. Besides the above, we hold 20,182 thousand shares in treasury stock.



**TOKAI TOKYO FINANCIAL HOLDINGS, INC.**

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