

# Tokyo Stock Exchange

*Annual Report 2001*

*Year Ended 31 March 2001*





## Profile

For most of its 120-year history, Tokyo Stock Exchange ("TSE") has been Japan's leading stock exchange and has also held a pre-eminent position among Asian exchanges. Over the last two decades, TSE has developed a truly global presence and now ranks among the world's top three stock exchanges.

TSE justly prides itself on its strengths as a leader and as a partner, and is committed to working together with other leading exchanges in Asia and the rest of the world to shape the global securities market of the future.

Over the years, as investors and markets have grown in sophistication, TSE has diversified its product range to include the trading of both equity and bond derivatives. TSE continues to respond swiftly to market participants' needs, introducing exciting new products, markets and systems while always maintaining the quality and security for which it is rightly famed.

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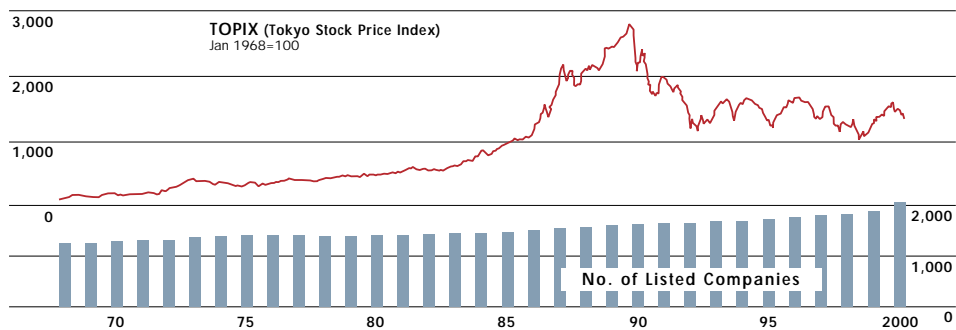
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# STATISTICAL HIGHLIGHTS

For the years ended 31 March	Fiscal 2000	Fiscal 1999	Fiscal 1998
<b>STOCK MARKET</b>			
Listed Companies			
: Domestic	2,072	1,965	1,850
: Foreign	38	44	48
Newly Listed Companies			
: Domestic	156	96	63
: Foreign	1	2	4
Market Value (¥ billions)			
: Domestic	350,640	458,837	323,825
Trading Value (¥ billions)			
: Domestic	216,966	237,770	101,170
: Foreign	60	85	88
Trading Volume (million shs.)			
: Domestic	171,989	168,409	124,285
: Foreign	12	17	21
<b>DERIVATIVES MARKET</b>			
Trading Volume			
: 5-Year JGB Futures (¥ billions)	11,120	6,929	20,040
: 10-Year JGB Futures (¥ billions)	906,699	1,010,677	1,089,788
: 20-Year JGB Futures (¥ billions)	-	-	-
: TOPIX Futures (Contracts)	4,122,212	3,462,709	2,850,667
: TOPIX Options (Contracts)	1,033	3,158	528
: Equity Options (Contracts)	282,267	323,772	117,678
: Options on JGB Futures (Contracts)	1,241,474	1,031,492	1,805,267
<b>BOND MARKET</b>			
Listed Issues	779	830	859
Market Value (¥ billions)	314,556	267,467	260,069
Trading Value (¥ billions)	3,074	5,298	8,213
Trading Volume (¥ billions)	2,654	4,604	7,904

\*Market Value, Trading Value and Trading Volume exclude foreign currency-denominated bonds and foreign convertible bonds

## Reference



(For the calendar years ended 31 December)

# FROM THE PRESIDENT

It gives me great pleasure to introduce this Annual Report for the fiscal year ended 31 March 2001 ("fiscal 2000").

My first complete year as President and CEO of Tokyo Stock Exchange ("TSE") has certainly been an eventful one. Against a background of continuing change in the global securities market, we have continued to implement strategies and initiatives that better equip TSE to consolidate its position on the international stage. Our emphasis remains on responding to market participants' needs while always maintaining fair, orderly, reliable and secure markets.

At TSE we are aware that the way to ensure continued success is for us to exploit our strengths: Our solid position both within Japan and globally, our unrivalled range of quality products spanning the cash and derivatives markets for both equities and bonds, the security and peace of mind offered by our world class systems, and our enviably high liquidity.

We continue working to optimise our performance in four key areas: Listed products and markets, security and reliability, international status, and information services. We can thrive only through the continued provision of reliable, efficient, low-cost, high-quality products and services that meet users' needs.

Inter-market competition, both domestically and internationally, continues to intensify, fuelled by rapid advances in information and telecommunications technologies and the increas-

ing globalisation of economic activity and capital flows. We are witnessing increased consolidation, through international alliances and collaboration, as exchanges seek to optimise their systems and infrastructures.

Against this background, TSE has implemented the following initiatives, designed to secure our place as a truly global market upon which participants can depend.

## *Innovative Products*

We have expanded and diversified our product universe as we seek to meet participants' needs to the full. TSE leads the way in offering innovative products to Japanese investors. A good example is the J-REIT (Japanese real estate investment trust) market, the first in Japan, which we established in March 2001.

J-REITs, which free up capital and profits tied up in illiquid real estate, are expected to provide a powerful impetus to the Japanese financial markets and the economy in general.

In June 2001 (after the period under review but important), we launched futures and options on the S&P/TOPIX 150 index, jointly developed by TSE and Standard and Poor's. These products are a welcome addition to TSE's roster of hedging products.

## *Security and Reliability*

TSE's position as one of the world's leading markets depends not only on the scope of its product range, but also on the levels of security and reliability it provides throughout the trading process. One major concern of market participants is settlement risk. In line with other markets across the globe, TSE has spent the last couple of years laying the groundwork for the implementation of delivery versus payment

(DVP) settlement. DVP dramatically reduces settlement risk by linking the delivery of securities to the payment of funds, and is a first step toward an eventual settlement cycle of T+1, or next day settlement. I am delighted to report that DVP was successfully introduced on 1 May 2001. This is just one more example of how TSE constantly strives to optimise security and dependability within its markets.

With increasing globalisation of markets, market operators cannot afford to act in isolation. Since activities on one market can have an immediate and significant effect on other markets, manipulative or illegal activities can have dangerous consequences. Thus, the sharing of relevant information is becoming increasingly important. In this connection, TSE was honoured to be the first Asian stock exchange to be accepted into the Inter-market Surveillance Group (ISG) in June 2000. ISG meetings are held regularly to discuss matters of concern and to draw up protocols regarding information sharing and cooperation.

As part of our ongoing upgrading of systems, we introduced a new stock trading system in May 2000, and a new convertible bond ("CB") trading system in March 2001. These new systems allow TSE staff to monitor and investigate trades online, further improving the efficiency of our market surveillance function.

### *Global Partnership*

It remains our stance that the way forward is for markets to cooperate, and that cross-trading and other initiatives should ensure that liquidity stays in the local market. To this end, in recent years we have made a variety of alliances and cooperative agreements with exchanges across the globe. The most recent is the working group

established with the Chicago Mercantile Exchange (CME) to discuss the development of a joint derivatives market.

### *TSE Arrows*

Information has always been essential to effective investment, be it market prices or company results, but with the move from open-outcry trading floors to computerised trading it is now more important than ever that information is transmitted rapidly and accurately to all market participants. It was with this in mind that we opened our new information centre, "TSE Arrows," on the site of the former trading floor in May 2000. TSE Arrows facilitates the flow of information between listed companies and their



investors, and between the Tokyo market and the world. In addition to listing ceremonies, TSE Arrows plays host to a variety of events, including presentations by listed companies and securities companies, TSE-sponsored ceremonies and events, and TV and radio broadcasts. Most recently, TSE Arrows hosted "IR Fair 2001," which aimed to familiarise listed companies, financial services companies and ordinary investors with the importance of investor relations activities.

### *Financial Review*

Due to a larger than expected increase in the daily average trading value for domestic shares, and in the level of finance raised by listed companies' offerings, TSE recorded a revenue surplus for fiscal 2000. We returned a portion of the surplus to members by means of an adjustment to their proportional trading fees. The remainder of the surplus was set aside in a property and equipment fund. We will continue our efforts to rationalise our finances in order to maintain sound financial management.

### *Demutualisation*

One of the key issues this past year has been the question of what form TSE should take in the 21st century. Ultimately this evolved into a debate as to

whether or not to demutualise. Following comprehensive and detailed discussions, a Special Committee consisting of member and Board representatives recommended demutualisation in an interim report published in March 2001. In May, after further consideration of this issue, the Special Committee published a final report setting out the benefits offered by demutualisation, and laid down a schedule for its implementation by the end of December 2001.

We are confident that demutualisation is the best choice for TSE, as it will allow us greater freedom and flexibility to respond to the rapid evolution of the securities markets. As technologies improve, the burden will be on exchanges to provide state-of-the-art systems and services, otherwise market participants will take their business elsewhere. Providing such advanced systems will require streamlined decision-making and ready access to the funds necessary to finance systems development. We are committed to maintaining TSE's position as a truly global exchange, with the power and reputation to compete against all comers in terms of reliability and liquidity.

TSE stands at an important crossroads, but my colleagues and I are confident that TSE's demutualisation will be a resounding success. We trust that we may count on the continued support of all those who have contributed to this epoch-making step in TSE's evolution.



Masaaki Tsuchida  
President and Chief Executive Officer



T S E I N A C T I O N



## Quality & Diversity

### Quality Companies

Since the revision of listing criteria and the relaxation of the listing rules for subsidiaries in 1996, new listings have continued to climb. Fiscal 2000 saw 156 IPOs (including 26 on Mothers), 60 more than for fiscal 1999. This figure has been surpassed only twice - in 1878, when TSE was established, and in 1961, when the Second Section was inaugurated.

This surge in new listings can be explained by companies' increasing interest in financing through the capital markets rather than the banking system; the creation of the Mothers market for venture companies; and the abolition in July 2000 of regulations requiring companies to list initially on

their local exchange before seeking a listing on TSE.

Further, as a result of the easing of criteria for listing on the First Section, 38 companies listed directly on the First Section in fiscal 2000, a massive increase of 18 compared with fiscal 1999.

### Diversity

#### J-REITs

Amendments to the Investment Trust Law in November 2000 paved the way for the introduction of a REIT market in Japan. Unlike ordinary investment trusts, which invest in securities, REITs invest in real estate properties, with income secured on rents. As tradable instruments, REITs overcome the traditional shortcoming of real estate investments, namely lack of liquidity. REITs were first launched in the U.S. in the 1960s and have proved very popular. The total market capitalisation of the approximately 200 REIT issues has grown steadily to reach over US\$140 billion. We are confident that this success will be repeated in Japan. TSE launched its J-REIT market on 1 March 2001 and expects its first listing during the autumn of 2001. As J-REITs are relatively unknown and little understood in Japan, it will take some time for investors to become accustomed to them. To ensure a smooth introduction, TSE looks to list relatively low-risk, stable issues initially, and will impose stringent disclosure requirements.



The listing of Daimaru Industrial and Dio Chemicals took the number of domestic listings on TSE to 2,000 (12 October 2000)



## Security

### DVP Settlement

DVP (delivery versus payment) settlement is a significant step toward eradicating settlement risk, and toward T+1 settlement. TSE has been working towards implementation since the Board officially approved the DVP scheme in June 1998. After meticulous preparation, DVP was successfully implemented by TSE on 1 May 2001.

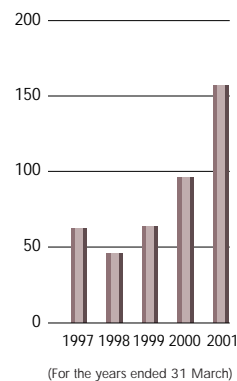
By linking the receipt of securities to the payment of funds, the introduction of DVP settlement allows TSE to significantly reduce settlement risk, and will certainly improve confidence in the security and reliability of TSE.

Net settlement will continue as before and, together with the introduction of an advance collateral system to facilitate earlier access to securities, will contribute to improving efficiency and reducing risk.

TSE's successful implementation of DVP settlement will undoubtedly act as a spur to future market reforms both in Japan and overseas. Other matters under consideration include the creation of a central clearing/settlement body and a further shortening of the settlement cycle.



Number of New Listings  
(Domestic Companies)



# Innovation & Cooperation

## Innovation

At TSE we understand that it is not enough simply to offer quality products. Trading systems and other market infrastructure must also be top of the range if users are not to be lost to competitors offering more competitively priced and efficient systems.

### Launch of New Stock Trading System

TSE successfully launched its new stock trading system, covering all listed issues and combining the functions of the old Floor Order Routing & Execution System (FORES) and Computer-assisted Order Routing & Execution System (CORES), in May 2000. The new system offers a tenfold increase in capacity, and allows TSE staff to monitor trading on a real-time basis.

Trading migrated to the new system in two stages, with those stocks previously handled by FORES transferring over in May, followed by CORES stocks in July 2000. On 7 August 2000, stocks listed on the Sapporo and Fukuoka exchanges also came under

the new system, and access was opened to members of all regional stock exchanges.

### Introduction of New CB Trading System

TSE continued its systems renewal program with the introduction of a new CB trading system in March 2001. The new system handles all straight bonds, convertible bonds (CBs), exchangeable bonds (EBs), and bonds with warrants. All issues were successfully transferred to the new system on the launch date. A major cost and efficiency benefit of the new system is that it can be operated from the same terminal as the stock trading system.

## Cooperation

### Talks with Chicago Mercantile Exchange (CME)

Global competition is perhaps fiercest amongst derivatives exchanges, and is leading to a variety of alliances and cooperative agreements between exchanges. As a key hub linking the financial markets of the three main economic regions (the U.S., Europe and Asia), TSE recognises the need for such



TSE and CME executives open collaborative discussions (17 October 2000)

initiatives to enhance and optimise its competitive strength.

In October 2000, TSE and the Chicago Mercantile Exchange (CME), one of the world's leading derivatives exchanges, agreed to open discussions on collaboration in the global derivatives (both bond and equity) market, including the development of joint products, cross-accessing, and a market linking the three key time zones.

TSE is particularly pleased to be working with CME, a recognised trailblazer within the derivatives industry. In addition to having introduced such innovative products as weather futures, CME is already a key member of the GLOBEX federation (other members include the Singapore Exchange (SGX) and MATIF) and a collaborator with LIFFE on cross-access and cross-margining initiatives. TSE-CME negotiations continue to make steady progress.



Mr Tsuchida & Mr Newman (ASX Chairman) celebrate the signing of a cooperative MOU (8 August 2000)



Mr Tsuchida and Mr Wu (Taiwan Stock Exchange President) celebrate the signing of a cooperative MOU (29 November 2000)

## Cooperation in Asia

To promote cooperation between exchanges in the Asia-Oceania region, and following on from initiatives in previous years, TSE signed wide-ranging Memorandums of Understanding (MOU) with the Singapore Exchange (SGX), Australia Stock Exchange (ASX), and Taiwan Stock Exchange, in April, August and November, respectively. TSE signed its first MOU with the Kuala Lumpur Stock Exchange in November 1996. This was followed by MOUs with the exchanges in Hong Kong, Korea, Thailand and the Philippines.

The MOUs focus on information-sharing initiatives to harmonise markets and improve market surveillance, and on commitments to work together on issues of mutual interest and concern in order to optimise market function, security and reliability.

TSE will continue to forge cooperative alliances with international exchanges as it optimises its position as an Asian and international hub market, and enhances its global presence.



# Transformation & Knowledge

## Transformation Demutualisation



The IR Fair was an opportunity for investors and listed companies to learn more about investor relations (23-24 March 2001)

As noted above, TSE established a Special Committee in July 2000 to consider structural reforms, including the possibility of demutualisation. The Special Committee was charged with the task of identifying the best structure for TSE to adopt in order to consolidate its position as a leading domestic and global market. After eight sessions, the Committee submitted a final report outlining its vision for a demutualised TSE. On the basis of this recommendation and its approval by members, TSE will work towards achieving demutualisation by the end of this calendar year (2001).

In summary, the Special Committee recommended that TSE demutualise with a view to a future listing of its shares on its own market. Demutualisation is seen to offer a number of attractive benefits allowing TSE to function and compete more effectively on a global scale. Particularly, demutualisation is expected to lead to a streamlined and more effective management organisation with greater participation from market users, and offer greater transparency and accountability.

Additionally, the trading and listing of its own shares will allow TSE greater scope in raising the funds essential for systems investment, and in forming joint ventures and capital-based alliances with international exchanges

and other partners.

Such investment in systems and various forms of cooperation will contribute to enhanced efficiency, to the benefit of all market participants and the evolution of the Japanese securities market as a whole.

Demutualisation will also lead to separation of ownership and trading rights. Members will be free to sell their shares or use them as collateral, thus making more effective use of their capital. It will also open the way for those qualified to participate in the TSE market to do so directly, without having to make the financial commitment of becoming a member. Similarly, demutualisation will allow those uninterested in trading rights to invest in TSE without assuming the existing associated rights and obligations.

It is the Special Committee's considered opinion that demutualisation offers TSE the best opportunity to evolve and survive as a truly global market in a business environment certain to be characterised by rapid change.

## Knowledge TSE Arrows

TSE inaugurated "TSE Arrows" on the site of the former TSE trading floor on 9 May 2000. TSE Arrows is a dedicated multi-functional information hub from and through which market and listed information is disseminated to investors and other market participants in Japan and world-wide.



TSE welcomes the 100,000th visitor to TSE Arrows (7 June 2001)



Its name derives from our striking new corporate logo, adopted in April 1999 to mark TSE's post-war 50th anniversary. The logo symbolises TSE's desire to act as an information facilitator, connecting issuers, investors and securities companies.

TSE Arrows comprises five facilities: Market Center, Presentation Stage, Open Platform, Information Terrace and Media Center. Each fulfils a distinct role. The Market Center is the locus of TSE's market surveillance operations. It is also the defining physical image of TSE, with its gleaming glass cylinder, representing transparency, enclosing ticker tape and distinctive

high-tech screens.

The Presentation Stage and Open Platform, equipped with leading-edge audio-visual technology, are dedicated spaces for issuers to make presentations, hold seminars, etc. The Presentation Stage has restricted access and is suitable for more sensitive, confidential presentations. The Open Platform, as its name suggests, is much more accessible, and indeed is the first zone which visitors to TSE Arrows enter. TSE holds new listings ceremonies, press conferences and other events here.

The Information Terrace functions as a reference library, allowing visitors access to annual reports, financial statements and other disclosure documents published by issuers. Visitors can use computer terminals to access "TARGET" (the TSE-WAN), and two banks of information vendor terminals provide access to a comprehensive range of corporate information.

The Media Center has fully equipped booths from which TV and radio organisations may broadcast worldwide. The TV booths are located to allow users to film against the impressive backdrop of the Market Center.

### Use of TSE Arrows in Fiscal 2000

In the 11 months since its opening in May 2000 until the close of fiscal 2000, over 460 companies made use of TSE Arrows' facilities for presentations, announcements, ceremonies and

other events (including corporate recruitment seminars, etc). In addition, TSE organised and sponsored two major events, the "ToSee 2000" investment trust advisory fair and the "Online Trade Fair 2000," in June and October 2000, respectively. Between them these two events attracted a total of over 10,000 visitors. Such events help to educate the public about the securities market, whilst also publicising and popularising TSE Arrows itself, whether directly through attendance at the fairs or indirectly through extensive media coverage. The positive feedback received from participants and visitors has encouraged us to continue and extend our events program.

Also, in a first of its kind, TSE was pleased to host the "Armani Collezioni: The Businessperson Award 2000" in March 2001.

Average daily attendance at TSE Arrows since its opening until the end of fiscal 2000 was 347. In June 2001, the total attendance reached 100,000.

### Use of TSE Arrows in Fiscal 2000

Event	No. of Companies
Presentation by listed company	165
by Mothers-listed company	50
Listing-related ceremony	250
by newly-listed company	147
Member presentation	18
New member ceremony	2
Other	30
<b>Total</b>	<b>465</b>

# Subsequent Events

## 1. EAOSEF (East Asian and Oceanian Stock Exchange Federation) General Assembly in Tokyo

EAOSEF is a federation of stock exchanges within the East Asian and Oceanian region formed for the purpose of information exchange and mutual support. TSE has served as its secretariat since EAOSEF's establishment in 1989. General assemblies are held annually to allow member exchanges to share information and discuss matters of concern.

TSE was pleased and honoured to host this year's general assembly, EAOSEF's 20th, at the Royal Park Hotel, Tokyo 23~25 April. In his capacity as General Assembly chairman, Masaaki Tsuchida, TSE President and CEO, was pleased to welcome fifty representatives from 13 of the 15 member exchanges.

## 2. S&P/TOPIX 150 Futures & Options

In June 2001 TSE introduced futures and options on its S&P/TOPIX 150 index, an index jointly developed with Standard and Poor's, one of the world's leading index providers.

TSE's own TOPIX has become an internationally accepted benchmark for Japanese stocks, and TOPIX Futures and Options are gaining in popularity as hedging instruments. The development of highly sophisticated, globally-based index-related asset management techniques, together with increasing portfolio diversification, is creating a

need for a correspondingly diverse range of indices and related hedging tools, particularly futures products. TSE will not be slow to respond.

S&P/TOPIX 150 is the Japan component of Standard and Poor's S&P Global 1200 index, covering the six key economic regions. It is a market capitalisation weighted index that excludes shares held by large shareholders for calculation purposes, making it a more accurate reflection of actual market conditions. It is this characteristic that sets it apart from all other indices.

S&P/TOPIX 150 Futures and Options were introduced for the benefit of those wishing to hedge their S&P/TOPIX 150 positions.

## 3. Introduction of ETF Market

TSE made another addition to its product line in July 2001 with the introduction of exchange traded funds (ETF). These attractive products have achieved considerable popularity since their launch by Toronto Stock Exchange in 1990, and there are currently over 100 ETFs available globally. Given their accessibility and their utility as arbitrage tools, we can reasonably expect this success to be mirrored in Japan, with a consequent boost to the underlying cash and derivatives markets, and the financial markets as a whole.



Mr Tsuchida is joined by the heads of 11 regional exchanges for the 2001 EAOSEF General Assembly (27 April 2001)



TSE celebrates the launch of S&P/TOPIX 150 Futures and Options (11 June 2001)

*F I N A N C I A L R E V I E W*



# BALANCE SHEET

At 31 March

	¥ Millions		US\$ thous.
	2001	2000	2001
<b>ASSETS:</b>			
Current Assets	¥ 31,272	¥ 31,954	\$ 250,979
Fixed Assets	40,753	42,593	327,070
Specific Assets Held for Deposited Margin	1,172,150	2,031,380	9,407,303
Specific Assets Held for Membership Guarantee Deposit	4,970	7,678	39,887
Specific Assets Held for Default Compensation Reserve for Equities	6,926	6,759	55,585
Specific Assets Held for Default Compensation Reserve for Japanese Government Bond Futures and Options	6,277	6,193	50,377
Specific Assets held for Default Compensation Reserve for Stock Price Index Futures and Options	3,779	3,643	30,329
Specific Assets held for Default Compensation Reserve for Equity Options	305	295	2,447
<b>Total Assets</b>	<b>1,266,436 (100%)</b>	<b>2,130,497 (100%)</b>	<b>10,164,012</b>
<b>LIABILITIES:</b>			
Current Liabilities	19,489	22,203	156,412
Long Term Liabilities	4,886	5,136	39,213
Miscellaneous Allowances	10,191	8,856	81,789
Deposits Received for Margin	1,172,150	2,031,380	9,407,303
Membership Guarantee Deposit Received	4,970	7,678	39,887
Default Compensation Reserve for Equities	6,926	6,759	55,585
Default Compensation Reserve for Japanese Government Bond Futures and Options	6,277	6,193	50,377
Default Compensation Reserve for Stock Index Futures and Options	3,779	3,643	30,329
Default Compensation Reserve for Equity Options	305	295	2,447
<b>Total Liabilities</b>	<b>1,228,978 (97.0%)</b>	<b>2,092,145 (98.1%)</b>	<b>9,863,386</b>
<b>NET WORTH:</b>			
Capital	11,950	12,350	95,906
Capital Reserve	23,670	24,052	189,967
Capital Reserve Fund	1,697	1,800	13,619
General Reserve Fund	140	73	1,123
Surplus (Loss)	0	75	0
<b>Total Net Worth</b>	<b>37,458 (3.0%)</b>	<b>38,351 (1.9%)</b>	<b>300,626</b>
<b>Total Liabilities and Net Worth</b>	<b>¥ 1,266,436 (100.0%)</b>	<b>¥ 2,130,497 (100.0%)</b>	<b>\$10,164,012</b>

\*Notes: An exchange rate of US \$1=¥124.60 has been used.

Figures less than 1 million yen and 1 thousand dollars are omitted.



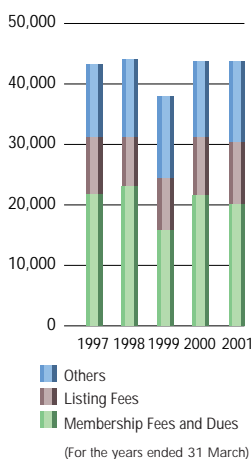
# REVENUES AND EXPENSES

For the years ended 31 March

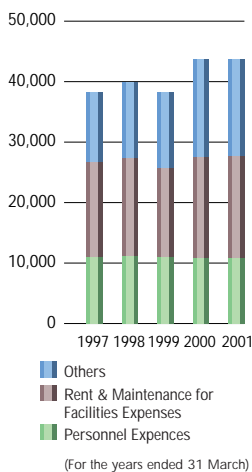
	¥ Millions		US\$ thous.
	2001	2000	2001
<b>REVENUES:</b>			
Membership Fees and Dues	¥ 20,062	¥ 21,563	\$ 161,011
Listing Fees	10,264	9,477	82,375
Income from Investment	413	498	3,314
Other Revenues	11,182	10,230	89,743
Gain from Miscellaneous Allowances	1,598	1,861	12,825
Gain from the use of General Reserve Fund, etc.	110	15	882
	<b>43,632</b>	<b>43,647</b>	<b>350,176</b>
<b>EXPENSES:</b>			
Personnel Expenses	10,613	10,640	85,176
Rent & Maintenance for Facilities Expenses	17,003	16,751	136,460
Operating Expenses	9,062	9,473	72,728
Other Expenses	3,180	3,496	25,521
Provision for Default Compensation Reserve for Equities	167	162	1,340
Provision for Default Compensation Reserve for Japanese Government Bond Futures and Options	84	-	674
Provision for Default Compensation Reserve for Stock Index Futures and Options	136	88	1,091
Provision for Default Compensation Reserve for Equity Options	9	8	72
Provisions for Allowances	3,142	3,004	25,216
Refund to Withdrawing Members	232	21	1,861
	<b>43,632</b>	<b>43,647</b>	<b>350,176</b>
Surplus (Loss) of Current Period	-	-	-

# FINANCIAL REVIEW

**Revenues**  
(¥ Millions)



**Expenses**  
(¥ Millions)



Tokyo Stock Exchange shows a balanced account book for fiscal 2000, with revenues and expenditures both amounting to ¥43,632 million.

During the fiscal period, the daily average trading value for domestic stocks exceeded the forecast of ¥790,000 million, leading to an increase of ¥1,026 million (5%) in fee-based income to reach ¥21,480 million compared with fiscal 1999. This, combined with increased income from listing fees as a result of a surge in financing by listed companies, led to a revenue surplus of ¥4,795 million.

Of this surplus, ¥1,417 million was returned to members by means of a special reduction of the fixed-rate membership fees for domestic stock transactions. After tax, the remaining ¥2,410 million was set aside as a reserve for future systems and facilities investment.

Compared to fiscal 1999 and after the rebate to members noted above, total revenues decreased to ¥43,632 million, a drop of ¥14 million. This year's fee-based revenue at ¥20,062 million shows a decrease of ¥1,501 million (6.96%). This is attributable to decreases in the daily average trading value of both domestic stocks and JGB futures. Likewise, a drop in the savings interest rates cut the income from investments to ¥413 million, a decrease of ¥85 million (17.06%). Conversely, revenue from listing fees increased by ¥786 million to ¥10,264 million as a result of increased financing by listed companies.

Additionally, other revenues showed an

increase of ¥952 million (9.30%) to reach ¥11,182 million.

On the expense side, total expenses fell by ¥14 million to ¥43,632 million. Particularly, personnel expenses fell to ¥10,613 million, a decrease of ¥27 million (0.25%) on fiscal 1999. Despite a reduction in the rental costs for the TSE building, rent & maintenance facilities expenses increased by ¥252 million (1.50%) to ¥17,003 million as a result of an increase in depreciation expenses. However, a reduction in communication costs as a result of the introduction of the new trading systems means that operating expenses were reduced by ¥411 million (4.33%) to ¥9,062 million. Other expenses show a decrease of ¥315 million (9.01%) to ¥3,180 million due to a reduction in corporation and other taxes.

Next, looking at the balance sheet we can see that the value of total assets has declined by ¥864,060 million (40.55%) to ¥1,266,436 million. This is almost completely accounted for by the decrease of ¥859,229 million in the value of specific assets held for deposited margin, due to the loss in value of securities held in lieu. However, we can see that this is balanced for by an almost equivalent loss in value, down ¥863,167 million (41.25%) to ¥1,228,978 million, in total liabilities. Again this is due to a reduction in the value of deposited margin.

Finally, as a result of refunds to withdrawing members, net worth is also down by ¥893 million (2.32%) to ¥37,458 million.

ORGANISATION DATA



# BOARD OF GOVERNORS AND AUDITORS *(as of 2 July 2001)*



*(From left to right)*  
**Yotaro Yasu**  
**Masaaki Tsuchida**  
**Junichi Ujiie**  
**Hiroyuki Kikuchi**



*(From left to right)*  
**Shigeru Yamaguchi**  
**Tadao Soejima**  
**Tomohiro Kamio**  
**Makoto Kasui**  
**Motoya Aizawa**



*(From left to right)*  
**Eijiro Nagao**  
**Yosoki Aoyagi**  
**Yoshitsugu Motoda**  
**Masahiro Wakita**  
**Tsuyoshi Manabe**  
**Hisashi Moriya**



*(From left to right)*  
**Shigeru Kani**  
**Atsuo Nishihara**  
**Yoshimasa Yamashita**  
**Sadao Yoshino**  
**Takuo Tsurushima**  
**Kikuo Kagoshima**  
**Sakutaro Kimbara**  
**Takushi Shimoda**



*(From left to right)*  
**Hitoshi Maeda**  
**Eiko Ohya**  
**Nobuo Matsunaga**  
**Josei Itoh**

# BOARD OF GOVERNORS AND AUDITORS *(as of 2 July 2001)*

President and Chief Executive Officer :

**Masaaki Tsuchida**

*Standing Governors*

Deputy Presidents :

**Yoshimasa Yamashita**

**Takuo Tsurushima**

Managing Directors :

**Sakutaro Kimbara**

**Shigeru Kani**

**Sadao Yoshino**

**Kikuo Kagoshima**

**Atsuo Nishihara**

*Member Governors*

Chairman :

**Junichi Ujiie**

President and Chief Executive Officer of The Nomura Securities Co., Ltd.

Vice Chairmen :

**Yotaro Yasu**

President of Jyujiya Securities Co., Ltd.

**Hiroyuki Kikuchi**

President and Chief Executive Officer of Kyokuto Securities Co., Ltd.

Governors :

**Motoya Aizawa**

Chairman (C.E.O) of Aizawa Securities Co., Ltd.

**Tomohiro Kamio**

Vice Chairman of Mizuho Securities Co., Ltd.

**Makoto Kasui**

President & CEO of Century Securities Co., Ltd.

**Tsuyoshi Manabe**

President of Maruko Daika Securities Co., Ltd.

**Hisashi Moriya**

Representative Director and Chairman of Merrill Lynch Japan Securities Co., Ltd.

**Eijiro Nagao**

President of Marusan Securities Co., Ltd.

**Tadayoshi Okashige**

Chairman of Shinko Securities Co., Ltd.

**Tadao Soejima**

Chairman of Tokai Tokyo Securities Co., Ltd.

**Masahiro Wakita**

Chairman of Toyo Securities Co., Ltd.

**Shigeru Yamaguchi**

President of Yamawa Securities Co., Ltd.

*Non Member Governors*

**Gaishi Hiraiwa**

Counselor, Chairman Retired of The Tokyo Electric Power Company, Incorporated

**Josei Itoh**

Chairman of Nippon Life Insurance Company

**Hitoshi Maeda**

Professor of Gakushuin University

**Nobuo Matsunaga**

Vice Chairman of The Japan Institute of International Affairs

**Eiko Ohya**

President of Nippon Information Systems Inc.

**Takuhiko Tsuruta**

President and Chief Executive Officer of Nihon Keizai Shimbun, Inc.

*Auditors*

Executive Auditor:

**Takushi Shimoda**

Member Auditors:

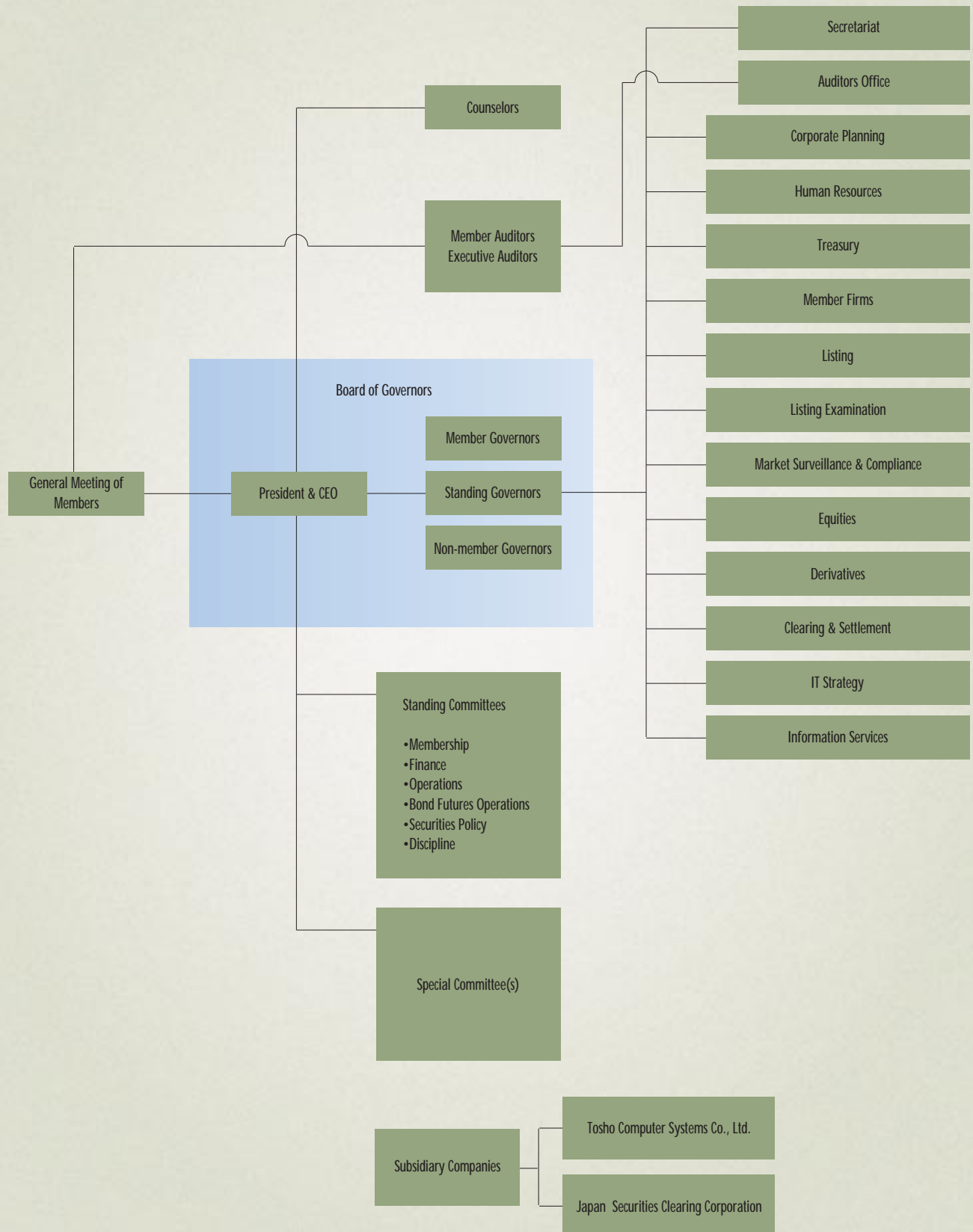
**Yosoki Aoyagi**

Chairman of Chuo Securities Co., Ltd.

**Yoshitsugu Motoda**

President of Izumi Securities Co., Ltd.

# ORGANISATION STRUCTURE *(as of 2 July 2001)*



# LIST OF MEMBERS AND SPECIAL PARTICIPANTS (as of 2 July 2001)

## Regular Members (115 Companies)

### *Domestic Companies (93)*

ACE SECURITIES CO., LTD.  
AIZAWA SECURITIES CO., LTD.  
AKAKIYA SECURITIES CO., LTD.  
ALPS SECURITIES CO., LTD.  
ANDO SECURITIES CO., LTD.  
ARK SECURITIES CO., LTD.  
The Asahi Retail Securities Co., Ltd.  
Bright Securities Company, Limited  
Century Securities Co., Ltd.  
Chuo Securities Co., Ltd.  
Cosmo Securities Co., Ltd.  
DAISEI SECURITIES CO., LTD.  
Daiwa Securities Co. Ltd.  
Daiwa Securities SMBC Co. Ltd.  
DLJdirect SFG Securities Inc.  
DOJIMAKANTO Securities Co., Ltd.  
Eiwa Securities Co., Ltd.  
E\*TRADE SECURITIES CO., LTD.  
THE HIKARI SECURITIES CO., LTD.  
HINODE SECURITIES CO., LTD.  
HIRAOKA SECURITIES CO., LTD.  
HIROTA SECURITIES CO., LTD.  
H.S. SECURITIES CO., LTD.  
Ichiyoshi Securities Co., Ltd.  
The Issei Securities Co., Ltd.  
Iwai Securities Co., Ltd.  
Izumi Securities Co., Ltd.  
Jyujiya Securities Co., Ltd.  
Kabu.Com Securities Co., Ltd.  
KANEJU SECURITIES CO., LTD.  
KANEMAN SECURITIES CO., LTD.  
Kaneyama Securities Co., Ltd.  
KIMURA SECURITIES CO., LTD.  
KOBE SECURITIES CO., LTD.  
KOKUSAI Securities Co., Ltd.  
The Kosei Securities Co., Ltd.  
KUROKAWAKITOKU SECURITIES CO., LTD.  
KYOKUTO SECURITIES CO., LTD.  
Kyowa Securities Co., Ltd.



MAEDA SECURITIES CO., LTD.  
Marufuku Securities Co., Ltd.  
Maruhachi Securities Co., Ltd.  
Marukin Securities Co., Ltd.  
MARUKUNI SECURITIES CO., LTD.  
Maruko Daika Securities Co., Ltd.  
Marusan Securities Co., Ltd.  
MARUWA SECURITIES CO., LTD.  
MATSUI SECURITIES CO., LTD.  
Meiko National Securities Co., Ltd.  
MEIWA SECURITIES CO., LTD.  
Merrill Lynch Japan Securities Co., Ltd.  
MIKI SECURITIES CO., LTD.  
Mito Securities Co., Ltd.  
Mizuho Securities Co., Ltd.  
Mizuho Investors Securities Co., Ltd.  
Monex, Inc.  
The Murosei Securities Co., Ltd.  
NAGANO SECURITIES CO., LTD.  
NAITO SECURITIES CO., LTD.  
The Nakahara Securities Co., Ltd.  
The Naruse Securities Co., Ltd.  
Nihon Kyoei Securities Co., Ltd.  
Niigata Securities Co., Ltd.  
The Nikko Securities Co., Ltd.  
Nippon Global Securities Co., Ltd.  
NISSAN SECURITIES CO., LTD.  
The Nomura Securities Co., Ltd.  
Nozomi Securities Co., Ltd.  
OKACHI SECURITIES CO., LTD.  
OKASAN SECURITIES CO., LTD.  
ORIX Securities Corporation  
Retela Crea Securities Co., Ltd.  
Sakura Friend Securities Co., Ltd.  
San-ei Securities Co., Ltd.  
Shinko Securities Co., Ltd.  
THE TACHIBANA SECURITIES CO., LTD.  
TAKAGI SECURITIES CO., LTD.  
Tokai Tokyo Securities Co., Ltd.  
Tokyo-Mitsubishi Securities Co., Ltd.

Tokyo-Mitsubishi Personal Securities Co., Ltd.  
Tokyo Rengo Securities Co., Ltd.  
TOYO SECURITIES CO., LTD.  
TSUBASA Securities Co., Ltd.  
UFJ Capital Markets Securities Co., Ltd.  
UTSUMIYA SECURITIES CO., LTD.  
Wit Capital Japan Inc.  
WORLD NICHIEI Securities Co., Ltd.  
YAHATA SECURITIES CO., LTD.  
YAMAGEN SECURITIES CO., LTD.  
Yamamaru Securities Co., Ltd.  
Yamani Securities Co., Ltd.  
YAMAWA SECURITIES CO., LTD.  
The Yutaka Securities Co., Ltd.

*Foreign Companies(22)*

ABN AMRO Securities (Japan) Limited  
Banc of America Securities -Japan, Inc.  
BARCLAYS CAPITAL JAPAN LIMITED  
BNP PARIBAS Securities (Japan) Limited  
COMMERZ SECURITIES (JAPAN) COMPANY LIMITED  
CREDIT LYONNAIS SECURITIES EUROPE - SWITZERLAND AG  
CREDIT SUISSE FIRST BOSTON SECURITIES (JAPAN) LIMITED  
Deutsche Securities Limited  
Dresdner Kleinwort Wasserstein (Japan) Limited  
Goldman Sachs (Japan) Ltd.  
HSBC SECURITIES (JAPAN) LIMITED  
INDOSUEZ W. I. CARR SECURITIES (JAPAN) LIMITED  
ING BARING SECURITIES (JAPAN) LIMITED  
INSTINET JAPAN LIMITED  
J.P. MORGAN SECURITIES ASIA PRIVATE LIMITED  
KBC FINANCIAL PRODUCTS UK LIMITED  
Lehman Brothers Japan Inc.  
Morgan Stanley Dean Witter Japan Limited  
Nikko Salomon Smith Barney Limited  
Societe Generale Securities (North Pacific) Ltd.  
UBS Warburg (Japan) Limited  
WESTLB SECURITIES PACIFIC LIMITED

## *Special Participants in Derivative Markets*

*(98 companies)*

Participant in JGB Futures & Options  
Participant in TOPIX Futures

The Aichi Bank, Ltd.  
The Aomori Bank, Ltd.  
Aozora Bank, Ltd.  
The Asahi Bank, Ltd.  
Asahi Shin-Kin Bank  
The Ashikaga Bank, Ltd.  
The Awa Bank, Ltd.  
THE BANK OF FUKUOKA, LTD.  
The Bank of Ikeda, Ltd.  
The Bank of Iwate, Ltd.  
The Bank of Kyoto, Ltd.  
The Bank of Nagoya, Ltd.  
The Bank of Okinawa, Ltd.  
THE BANK OF SAGA LTD.  
The Bank of Tokyo-Mitsubishi, Ltd.  
The Bank of Yokohama, Ltd.  
Bear Stearns (Japan), Ltd.  
The Chiba Bank, Ltd.  
The Chugoku Bank, Limited  
The Chukyo Bank, Limited  
The Chuo Mitsui Trust and Banking Company, Limited  
CREDIT LYONNAIS  
The Dai-Ichi Kangyo Bank, Limited  
The Dai-ichi Mutual Life Insurance Company  
The Daisan Bank, Ltd.  
The Daishi Bank, Ltd.  
The Daiwa Bank, Limited  
Dresdner Bank Aktiengesellschaft  
The Eighteenth Bank, Limited  
The Fuji Bank, Limited  
THE FUKUOKA CITY BANK, LTD.  
The Gunma Bank, Ltd.  
The Hachijuni Bank, Ltd.  
The Higashi-Nippon Bank, Limited  
The Higo Bank, Ltd.  
The Hiroshima Bank, Ltd.  
THE HIROSHIMA-SOGO BANK, LTD.  
The Hokkoku Bank, Ltd.  
The Hokuetsu Bank, Ltd.  
The Hokuriku Bank, Ltd.

The Hongkong and Shanghai Banking Corporation Limited  
The Hyakugo Bank, Ltd.  
The Hyakujushi Bank, Ltd.  
The Industrial Bank of Japan, Limited  
The Iyo Bank, Ltd.  
Japan Bond Trading Co., Ltd.  
Johnan Shin-Kin Bank  
The Joyo Bank, Ltd.  
The Juroku Bank, Ltd.  
THE KAGAWA BANK, LTD.  
THE KAGOSHIMA BANK, LTD.  
The Keiyo Bank, Ltd.  
The Kinki Osaka Bank, Ltd.  
The Kiyō Bank, Ltd.  
THE MICHINOKU BANK, LTD.  
THE MINATO BANK, LTD.  
The Mitsubishi Trust and Banking Corporation  
The Miyazaki Bank, Ltd.  
The Nanto Bank, Ltd.  
THE NISHI-NIPPON BANK, LTD.  
NIPPON LIFE INSURANCE COMPANY  
The Norinchukin Bank  
Norinchukin Securities Co., Ltd.  
North Pacific Bank, Ltd.  
The Ogaki Kyoritsu Bank, Ltd.  
THE OITA BANK, LTD.  
RBS Securities Japan Limited  
The San-in Godo Bank, Ltd.  
The Sanwa Bank, Limited  
Seibu Shin-Kin Bank  
The Senshu Bank, Ltd.  
The 77 Bank, Ltd.  
THE SHIGA BANK, LTD.  
The Shikoku Bank, Ltd.  
THE SHIMIZU BANK, LTD.  
Shinkin Central Bank  
Shinkin Securities Co., Ltd.  
Shinsei Securities Co., Ltd.  
THE SHINWA BANK, LTD.  
THE SHIZUOKA BANK, LTD.

The Shoko Chukin Bank  
Sinsei Bank, Limited  
Sumitomo Mitsui Banking Corporation  
The Sumitomo Trust and Banking Company, Limited  
The Suruga Bank, Ltd.  
Tama Chuo Shinkin Bank  
The Toho Bank, Ltd.  
The Tokai Bank, Limited  
THE TOKUSHIMA BANK, LTD.  
Tokyo Higashi Shinkin Bank  
The Tokyo Tomin Bank, Limited  
The Toyo Trust and Banking Company, Limited  
THE WAKASHIO BANK, LTD.  
The Yachiyo Bank, Limited  
The Yamagata Bank, Ltd.  
The Yamaguchi Bank, Ltd.  
The Yamanashi Chuo Bank, Ltd.  
The Yasuda Trust and Banking Company, Limited



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e-mail: [tse-ldn@jais.co.uk](mailto:tse-ldn@jais.co.uk)

**Singapore Representative Office**

20 Collyer Quay, #10-02A  
Tung Centre, Singapore 049319  
Tel: (65) 438-5100  
e-mail: [toshosro@pacific.net.sg](mailto:toshosro@pacific.net.sg)