



**Tokyo Stock Exchange, Inc.**

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**TOKYO STOCK EXCHANGE, INC.**

# Annual Report

For the fiscal year ended March 31, 2002

## TSE Profile

Tokyo Stock Exchange, Inc. (TSE) is Japan's leading stock exchange and from its outset has 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 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 famed.

On November 1, 2001 TSE demutualized, marking a momentous step in its evolution. As a newly formed stock corporation, TSE now stands ready to offer a market that is more user-focused, better protects investors, and further contributes to the global securities industry.

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## Disclaimer

Descriptions concerning future plans and performance in this annual report are based on the current economic situation and business environment and are subject to change depending upon various factors including, but not limited to, future trends of the Japanese economy and securities markets, changes in legal and other systems, and development of new services and information technology.

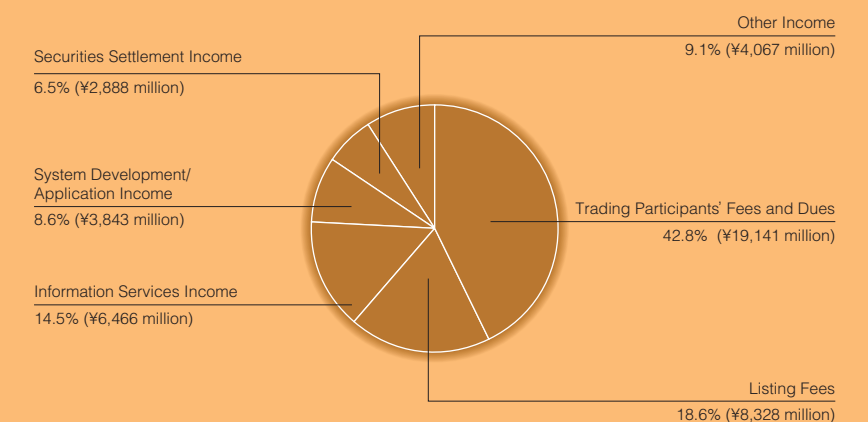
This annual report and accompanying financial statements are unaudited and have been prepared in conformity with accounting principles generally accepted in Japan.

## Financial Highlights

Tokyo Stock Exchange, Inc. and Consolidated Subsidiaries Year ended March 31, 2002	Tokyo Stock Exchange, Inc. and Consolidated Subsidiaries	
	¥ mils. except per share and ratio data	\$ thous. except per share and ratio data <sup>*5</sup>
	2002	2002
<b>FOR THE YEAR</b>		
Operating revenues <sup>*1</sup>	¥ 44,735	\$ 337,533
Operating profit <sup>*1</sup>	1,753	13,226
Current profit <sup>*1</sup>	2,296	17,323
Net earnings <sup>*1</sup>	843	6,360
<b>AT YEAR END</b>		
Total assets <sup>*1</sup>	¥ 1,380,147	\$10,413,453
Shareholders' equity <sup>*1</sup>	65,218	492,081
<b>PER SHARE DATA</b>		
Earnings per share <sup>*2</sup>	¥ 366.83	\$ 2.76
Book value per share <sup>*3 *4</sup>	20,804.61	156.97
<b>KEY FINANCIAL RATIO</b>		
Return on equity <sup>*4</sup>	1.8%	1.8%

\*Notes: 1. Numbers before the millions/thousands place are cut off without rounding  
2. Calculated based on the average number of shares for the year  
3. Calculated based on total number of outstanding shares at end of period  
4. Calculated excluding the default compensation reserve fund  
5. Rate of \$1=¥132.535 used for conversion

## Operating Revenue Breakdown



As we ride the wave of globalization, we will pursue our reforms with confidence and create an exchange with strong competitive power and a greater global presence.

This past year has witnessed many exciting developments at Tokyo Stock Exchange, Inc. (TSE), and it gives me great pleasure to have shared our accomplishments with all of TSE's shareholders.

#### A New Beginning

For over 50 years, Tokyo Stock Exchange, Inc. operated as a membership organization, but on November 1, 2001 we took an epic step in our history by demutualizing and changing into a stock company. While we have always made strenuous efforts to enhance the efficiency, attractiveness, reliability, and fairness of our market, this change provides us with greater opportunities to increase the transparency of TSE's management, secure fund raising opportunities in the capital markets, and build a more dynamic business organization.

**Masaaki Tsuchida**  
President & CEO

#### Profile

Mr. Tsuchida entered the Ministry of Finance in 1959, where he worked as the head of the banking division and National Tax Office before moving on to vice president of the People's Finance Corporation in 1993. In 1998 he became president of Japan Securities Depository Center. Two years later, in May 2000, he was appointed president and CEO of the Tokyo Stock Exchange, which demutualized on November 1, 2001.

#### Strengthening Our Corporate Governance

As part of TSE's demutualization, we introduced an executive officer and business unit system to clarify the lines of responsibility within TSE and to streamline our decision-making processes. Pursuant to these changes, the Board of Directors is called upon to deliberate and decide basic management policy and to supervise the executive officers. The executive officers, in turn, are charged with deciding how to effectively carry out operations based upon management policy.

In order to strengthen the supervisory functions of the Board of Directors, TSE instituted a new corporate governance system that stipulates, among other items, the inclusion of outside board members and the creation of a Nomination & Compensation committee. Advisory committees have also been established to advise the board on market issues.

#### Increasing TSE's Global Presence

As of the end of March 2002, TSE laid claim to a market capitalization of 305 trillion yen, making us one of the largest capital markets in the world. Looking to build upon this position of strength for the benefit of shareholders and market participants alike, we recently announced our consolidated group's management policies and objectives, as well as our concrete action programs, in our Interim Business Plan. Based on this plan we will pool the energies of our corporate group to strengthen our markets' functions, and hence increase our presence in the global marketplace.

#### Listing

Finally, to fully realize the benefits of our stock company status, we plan to list our own stock in FY 2005. To provide shareholders with a company worthy of their investment, we will bolster our sources of revenue and increase the efficiency of our operations. Through demutualization TSE has already experienced increased cost consciousness throughout the entire company, and we will harness this positive momentum in pursuit of increasingly effective management.

More than ever, I sincerely ask all our shareholders for their further support and cooperation. I look forward to working together toward a dynamic and exciting future for TSE.



Masaaki Tsuchida  
President & CEO



TSE publicly announced its Interim Business Plan for fiscal years 2002-2004 on February 19. This plan outlines the objectives and activities TSE intends to follow as it aims to list its own shares for trading in FY 2005. TSE prepared this plan to set forth its management policies and objectives and concrete action programs in the earnest hope that through implementation it can contribute to the healthy growth of the national economy and also play a significant role in the international capital markets.



(Consolidated ROE was calculated excluding the default compensation reserve fund)  
 (FY 2004 operating revenues and expenses do not include lease income and lease costs)

Business Strategies

Increasing Market Attractiveness

TSE will enhance the attractiveness of its market, especially its 1st Section segment, by ensuring fuller corporate disclosure and better corporate governance of listed companies, and also by strengthening the quality control of stocks issued by listed companies. In addition, TSE will facilitate the listing of attractive, high quality companies for investment by providing unlisted companies with its full support—through seminars, company visits, and other channels—in their preparation for listing, aiming for 80 or more new listings per year. TSE will also disclose its listing examination system to a greater extent to make the listing process smoother and more efficient.

Through development of the “Mothers” market for high growth and emerging stocks, facilitation of listing domestic and foreign emerging companies with high growth potential therein, and strengthening of Mothers delisting rules, TSE will restore investors’ confidence in and enhance the image of the market.

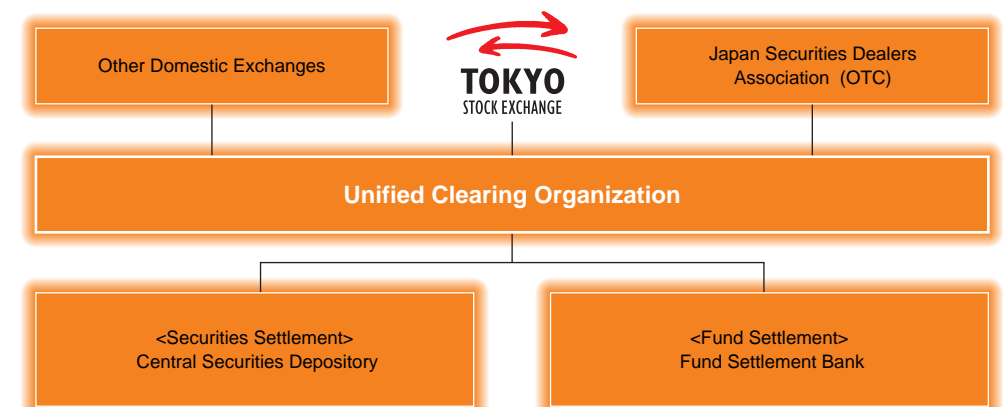
Enhancing Settlement Infrastructure

To ensure stability and improve the efficiency of Japan’s settlement system, TSE is working vigorously with other exchanges to establish a unified national clearing organization, with a goal of commencing operations at the beginning of 2003. TSE will also make every effort toward the introduction of scrip-less settlement and a T+1 settlement cycle to increase the efficiency of settlement and reduce settlement risk.

Increasing Market Fairness and Reliability

TSE will enhance the fairness of its market by reinforcing its self-regulatory functions—market surveillance and inspection of its participants—and by strengthening its ties to foreign self-regulatory organizations through the Intermarket Surveillance Group. In addition, TSE will promote better understanding of the fairness of its market among market users by publicizing its self-regulatory activities.

Unified Clearing Organization



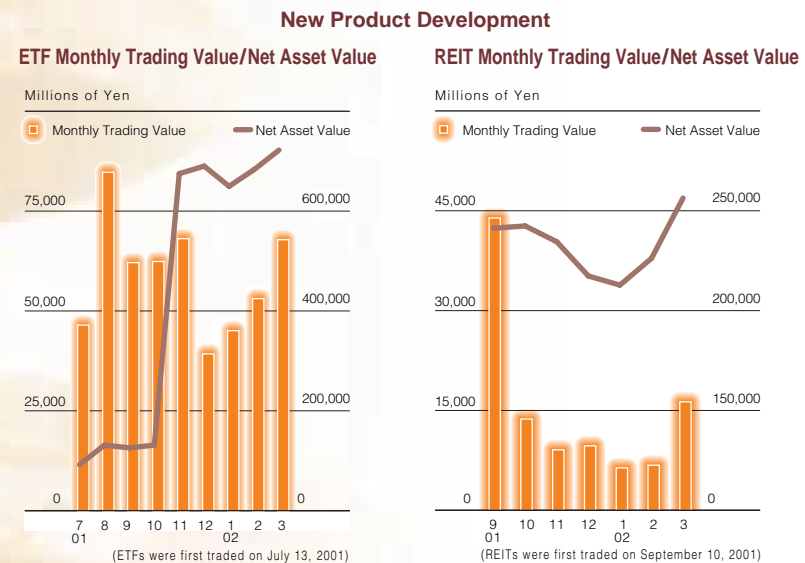
TSE will strengthen its risk management systems through establishing market contingency plans and other measures. To minimize possible adverse effects—such as a deficiency or shutdown of its market functions—resulting from system failures, natural disasters, terrorist attacks, etc., TSE will implement risk management measures across its systems.

**Broadening Business Lines**

In November 2001 TSE launched Tokyo Market Information, an information service providing users with corporate action information and TOPIX data services. TSE will proactively promote this and other information services with the objective of building a strong recurring revenue base. TSE will also develop new services and products, such as its recently listed Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs), as well as non-financial instruments to seek new revenue opportunities.

**Strengthening Brand Management**

TSE's brand strength lies in its ability to deliver fairness and reliability in an efficient and convenient market. TSE will strengthen its brand management in order to establish and maximize the brand power of TSE and the TSE market. TSE will also enhance its existing framework for public relations and promotion activities to make such activities more consistent, efficient and effective.



**Structural Reforms**

**Improving IT Architecture**

By proactively working to improve its IT architecture, TSE seeks to develop highly flexible systems that can increase efficiency for market users, respond quickly to changes in the business environment, and cut costs.

TSE will actively pursue its IT related investment plans with due consideration to investment efficiency, expecting a cumulative IT investment of approximately ¥40 billion for the next five years.

**Increasing Organizational Efficiency**

TSE will reduce the number of its employees by approximately 100 to 730 from FY 2001 to FY 2005 by continuing to curb new hiring. TSE will also reduce the number of employees in its administrative departments by 30% by shifting them to operational departments by FY 2004. Furthermore, TSE will increase the efficiency of its operations in each department by promoting operational improvement activities.

**Enhancing its Financial Base**

TSE plans to generate increased income by adjusting its fee schedules to better reflect the value of services that users receive, thereby enhancing market usage (through improved liquidity, etc.) and its other services, targeting April 2003 for this change.

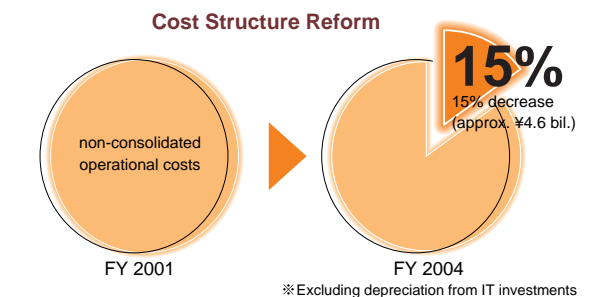
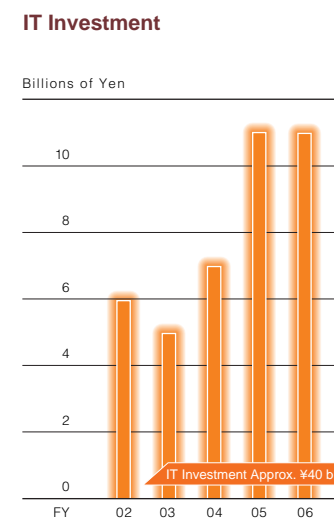
By decreasing variable costs and compressing fixed costs, TSE will strive to lower its operating costs (excluding depreciation of IT investments, non-consolidated basis) by 15% (approximately ¥4.6 billion) from FY 2001 to the end of FY 2004.

**Improving Group Management Systems**

To ensure a stronger competitive advantage and higher corporate value for the entire TSE Group, including its subsidiaries and affiliates, TSE will strengthen its consolidated management systems.

**Reforming Corporate Culture and Developing Superior Talent**

TSE will institute a corporate culture that encourages employees to engage in new challenges by creating an environment that enables all employees to make full use of their capabilities and by pursuing ongoing performance-based evaluation. TSE will also cultivate internationally-minded, focused professionals who will be ready to meet the new level of globalization and sophistication of TSE's business.



To become a true “Global Financial Exchange” with a significant international presence, TSE will promote active participation in and usage of its market by a wide variety of foreign investors and enterprises through strategic global alliances, promotional activities, and international cooperation.

In this light, TSE will build an organization that best meets the needs of today’s globalization, focusing on the following points:

**I Promoting Market Participation by Foreign Investors**

By further increasing the convenience of its market for foreign investors, who participate in its Japanese equities and derivatives markets, TSE will enhance its market functions as the central market for Japanese products.

**II Providing Foreign Investment Opportunities to Domestic Investors**

TSE will provide Japanese investors with investment opportunities in value-added foreign products, thereby creating a wider selection of financial assets.

**III Expanding Business Opportunities**

TSE will seek greater business opportunities, including the development of new products and the expansion of market participants, by synergizing brand and know-how through strategic alliances with other exchanges.

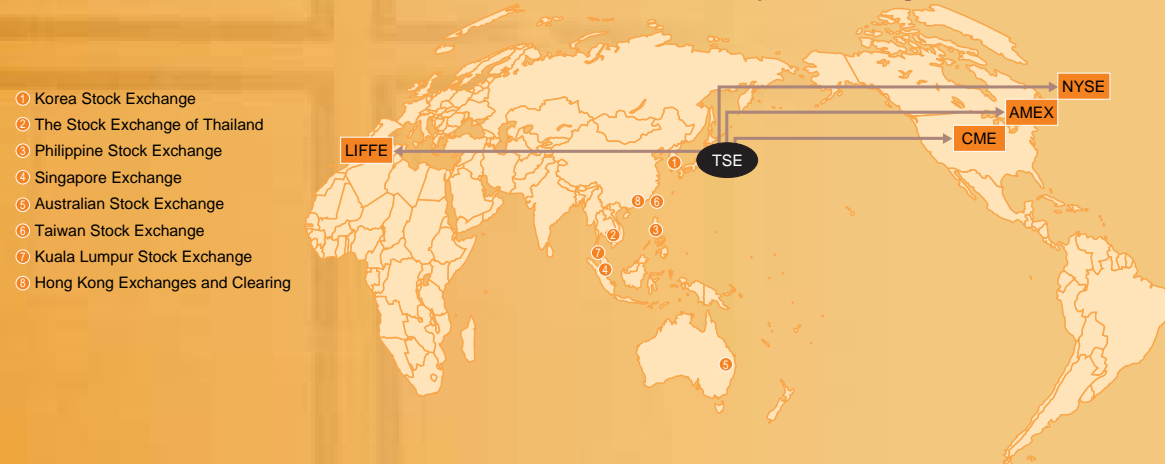
**IV Enhancing its International Presence**

TSE will advance its educational and promotional activities in order to enhance the international presence of TSE and the Japanese securities markets.

**V International Contribution**

TSE will further contribute to the development of the domestic and international capital markets by providing its market infrastructure and know-how to overseas markets and by co-developing frameworks for market coordination among exchanges with the goal of improved international market functions.

TSE’s Global Alliances/ Cooperative Arrangements



As we move forward with these initiatives and create a more international marketplace, the following issues are the major priorities at TSE:

**Market Links and Other Measures to Encourage Foreign Participation**

TSE will promote discussion with overseas exchanges and other organizations on possible frameworks for market linkages and joint initiatives to share market infrastructures in order to expand its market participants base.

**Promoting the Listing of Foreign Products**

TSE will provide Japanese investors with investment opportunities in attractive foreign products, including stocks of Asian companies with high potential for growth.

**Joint Product and Joint Business Development**

TSE will expand its business opportunities through strategic alliances with other exchanges and organizations for the joint development and introduction of new products, coordination of marketing activities, development of new business, and joint operation of markets.

**Reinforcement of Promotional Activities Overseas**

TSE will advance its activities for providing English information and educational/promotional services for non-Japanese investors to encourage more active use by these investors. Through these activities, TSE hopes to increase overall understanding of the Japanese securities markets, TSE listed products, and TSE’s trading and clearing & settlement systems.

**Promoting Discussions for Regional Cooperation**

TSE will promote study and discussion on borderless and offshore trading arrangements and market linkages focused on further development and closer cooperation within the Asia/Oceania region.

**International Contribution for the Development of Capital Markets**

TSE, while continuing to provide technical assistance, will advance its discussions about and preparations for the sharing of information and market infrastructure with foreign organizations in order to support global business cooperation in securities markets.

With a view to increasing the convenience of its market for market participants, TSE will actively participate and take a leadership role in discussions among major world exchanges regarding international harmonization and development of market systems/practices and regulatory frameworks.

**Systems Review for the Internationalization of the Japanese Securities Market**

TSE will actively present its opinions on legal, regulatory, accounting, and fiscal frameworks relevant to securities markets in order to strengthen the international competitiveness of the Japanese securities markets.



## Strengthening of TSE's Foundation: Demutualization

TSE demutualized on November 1, 2001, completing its change into a stock company after more than a year of deliberation and preparation. TSE realized that it needed to adapt in order to remain globally competitive in an environment where the borders between economies have become increasingly smaller. Furthermore, by fully utilizing its functions as a stock company, TSE will increase the fairness, reliability, efficiency, and convenience of its markets while at the same time work to raise funds from the capital markets.

Since this momentous change, TSE has reaped the benefits of greater cost consciousness as well as more effective management through streamlined organizational change. TSE's corporate governance after demutualization has changed and now consists of an 11-member board of directors, of whom six are outside directors, and a 9-person executive officer system to manage the company's day-to-day operations.



## Meeting the Needs of the Market

**Real Estate Investment Trusts (REIT)**  
In November 2000, amendments made to the Investment Trust & Investment Corporation Law expanded the allowable use of capital by Investment Trusts to include real estate, thereby making funds composed on a real estate investment trust schematic possible. Money pooled from investors is invested in real estate property, and rental fees collected from the property are returned to investors as dividends.

Opened in the previous fiscal year, TSE's REIT market saw its first two listings in September, Office Building Fund of Japan Incorporated and Japan Real Estate Investment Corporation.



**Exchange Traded Funds (ETF)**  
TSE introduced its ETF market and welcomed its first listings in July 2001. The introduction of the ETF market was made possible by amendments to Investment Trust & Investment Corporation Law ordinances in June 2001, which allowed the creation of investment trusts through the contribution of the index's underlying stocks. ETFs provide individual investors with the opportunity to trade an entire index with the same ease as trading a single equity, while providing larger investors with a new arbitrage mechanism. The appeal of ETFs to both institutional and individual

investors is expected to help reinvigorate the equities and futures markets.

**Greenshoe Options**  
In an effort to prevent the destabilization of the supply and demand factors of a company's stock when its shares are sold on the market, greenshoe options, over allotment and syndicate cover trading were introduced into Japan's market. On January 31, 2002, TSE put into effect rules for reporting syndicate cover trading, as well as all other necessary measures and regulation revisions to assure the fairness of such trades.

**Action Program to Decrease the Trading Unit Size of Stocks**  
In order to increase the level of participation by individual investors in TSE's market, TSE has enacted programs to decrease the size of stocks' trading units, and has asked all listed companies to follow the guidelines of these new programs. TSE announced this plan publicly with the Japan Securities Dealers Association and other stock exchanges.

The aim of the Action Program is to promote increased involvement by individual investors in the securities market, in an effort to revitalize Japan's stock markets and strengthen the direct financial link between investors and companies.



## Strengthening Trading and Settlement Infrastructure

In light of world-wide market events that have deteriorated investor confidence and led to an overall market devaluation, TSE has made positive changes to its infrastructure in an effort to restore investor confidence and provide a fairer, more reliable market.

**Revisions to the Mothers Market Listing System**  
The Mothers Market was introduced in November of 1999 to facilitate the growth of new and emerging companies. However, following the burst of the IT bubble, the condition of Mothers listed firms, and the market itself, began to decline. In order to regain investors' trust in the market, promote the listing of more companies, and aid the restructuring of Japan's economy, revisions to the Mothers listing system were made.

First, TSE strengthened the delisting criteria of Mothers by creating a system that allows for effective removal of companies with a weak business model and/or companies that devalue the market. Second, TSE has also focused its energies on the promotion of Mothers listings through a relaxation of obstacles to listing in an attempt to alleviate misunderstandings concerning



listing qualifications, prevent the unnecessary raising of capital, and rationalize the examination for companies that wish to transfer from Mothers to the 1st or 2nd Section on TSE.

**Pre-Listing Rules Revisions**  
The pre-listing rules were established to preserve the fairness of the market by prohibiting companies from conducting "private placements" just prior to an initial public offering, by which a quick profit could be made through selling such shares shortly after the IPO. With a view to increasing market convenience and meeting public and private demand for new industry and company growth, accompanied by an urgent need to revitalize the economy, TSE undertook a review of its pre-listing rules. As a result, TSE has eased these restrictions with the condition that an individual or entity receiving shares during a pre-IPO period must hold such shares for an appropriate period of time post-IPO before selling.

**Strengthening Delisting Criteria**  
In line with its goal of offering a more transparent marketplace, TSE revised its delisting criteria. As a result, companies failing to submit financial reports within a month of passing the legally required deadline will now be delisted. Timely disclosure regulations have been revised so that listed companies must disclose any change to their contracted certified public accountant and any delayed submission of financial reports beyond the legally required deadline. Further, listed companies are also required to cooperate with TSE requests for

information from their CPA.

**Off-auction Trading and Position Limits**  
TOPIX off-auction trading was expanded to increase the convenience of the derivatives market and meet the growing needs of market participants. Three major revisions were made: trades with another participant were permitted, price limits were changed to include the Volume Weighted Average Price, and all TOPIX sub-indices futures were added to products available for off-auction trading.

Furthermore, calculation methods for position limits on equity options were revised in order to accommodate position limit changes that are necessitated when changes occur to the underlying equity's trading unit or when the equity undergoes a stock split. Position limits for most equity options are now based on an amount equal to 1% of the listed shares of an individual equity. This method eliminates influences from changes to stocks' trading units and establishes limits that reflect the characteristics of each individual equity.

These changes were put into effect in early December 2001.

## Strengthening Trading and Settlement Infrastructure

### Delivery Versus Payment (DVP) Settlement

DVP settlement (between market participants and TSE as a central counter party) is a significant step towards eradicating settlement risk. Last year, after meticulous preparation, DVP was successfully implemented by TSE on May 1 for stocks and on November 26 for convertible bonds\*. The introduction of DVP settlement significantly reduces settlement risk and improves the reliability of TSE as Japan's central market. (\*Foreign CBs, which are not eligible for book-entry transfer at the Japan Securities Depository Center (JASDEC), continue to be settled via the Japan Securities Clearing Corporation (JSCC).)

Before implementation, there had been an inherent risk in the transfer of securities and settlement of funds, especially if market participants were not able to pay funds to TSE after they had received securities (also known as principal risk). DVP settlement, by linking the receipt of securities to the payment of funds, can eliminate this risk.

### Establishing a Unified Clearing Organization

In order to improve the efficiency and convenience of Japan's clearing and settlement system, the reorganization of existing clearing organizations and the establishment of a unified clearing organization was intensely discussed by all relevant parties. In January 2002, those parties (Japan Securities Dealers Association; Tokyo Stock Exchange, Inc.; Osaka Securities Exchange Co., Ltd.; Nagoya Stock Exchange; Sapporo Securities Exchange; and Fukuoka Stock Exchange) agreed to the creation of a unified clearing organization in Japan. This new organization is scheduled to be operational in early 2003.

By establishing a new horizontally integrated clearing organization, all clearing operations for cash products will be streamlined into a single procedure, which can reduce the amount of both securities and funds required for settlement. This will greatly enhance and improve the efficiency, user friendliness, and reliability of the Japanese market.

## Building Better Relationships with Investors and Companies

### Increasing Market Understanding

In order to deepen investors' knowledge about securities and markets, TSE has sponsored a wide variety of educational events on the Japanese securities industry. These on-going educational activities have targeted junior high school students to adults with innovative internet projects and classroom style lectures utilizing TSE's Arrows facilities. TSE also held an 'On-line Trade Fair' in June, and an 'Investors Day' in October, to help familiarize people with investing.



### Compliance Monthly Report

TSE, in its effort to increase the public's understanding of its role as a market regulator and its activities as a self-regulatory organization, had published its trading investigation cases four times per year. However, in order to more proactively promote the fairness and transparency of its market, TSE now provides detailed information of those activities in a more timely manner with the publication of a monthly report. This publication distributes detailed information on trading investigations, preventive measures, and trading consultations as well as provides a glimpse of the main market topics for each month.



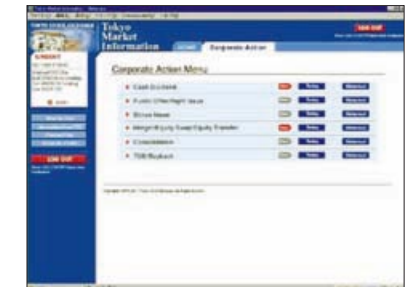
### TSE Community Meeting

TSE has established Community Meetings around Japan in order to deepen the understanding of TSE within various Japanese localities. With a view to following up with recently listed companies and increasing the mutual understanding of the local economy, TSE has established this opportunity for opinion exchange, aiming to offer support for listed companies.

These meetings take place in various regions in Japan and are divided into two sections. The first section consists of an opinion exchange with the presidents of TSE listed companies in the area. This is followed by a reception party with those presidents, representatives from the surrounding community, and representatives from other local companies interested in listing.

## New Information Services

On November 5, 2001 TSE launched Tokyo Market Information (TMI), a web-based service that consists of a Corporate Action Information service and a TOPIX Data service. TMI supports global custodians by providing them with corporate action information regarding dividends, mergers, public issues, etc., as well as accurate information for calculating TSE indices.



Further, TSE also launched an English mail magazine, 'Tokyo Exchange News,' in February. 'Tokyo Exchange News' is a free e-mail service that distributes market levels, index prices, press releases, rule changes, administrative trading measures and other important market information.



Global Cooperation

**East Asian and Oceanian Stock Exchanges Federation (EAOSEF) 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. General assemblies are held annually to allow member exchanges to share information and discuss matters of concern.

TSE was pleased to host last year's general assembly, EAOSEF's 20th, from April 23-25. In his capacity as General Assembly Chairman, Mr. Masaaki Tsuchida, TSE President and CEO, and Mr. Yoshiaki Kaneko, former Senior Managing Director of TSE then serving as EAOSEF Secretary General, welcomed fifty representatives from 13 of the 15 member exchanges.



**Improvement of Corporate Governance: The ICGN Conference in Tokyo**

In July of 2001, TSE co-hosted the 7th Annual International Corporate Governance Network Conference, the first to be held in Asia. Over 450 delegates from 20 countries representing exchanges, regulatory bodies, industry professionals, and academics were in attendance. As an opportunity to showcase Japan's corporate governance initiatives to investors across the globe, the

conference focused on (1) efforts by management and institutional investors to revolutionize corporate governance in Japan, (2) the role of the state in improving corporate governance, and (3) efforts by stock exchanges to implement corporate governance.



**ETF-related Alliance with AMEX**

TSE signed a memorandum of understanding to establish a strategic alliance with the American Stock Exchange (AMEX), the world's leading ETF marketplace, on June 19, 2001. This alliance is expected to lead to mutual listing and trading of Japanese and US ETFs. TSE and AMEX have agreed to work together to lay the groundwork for a global ETF market, as well as to cooperate on educational and promotional activities. Both exchanges look forward to realizing seamless access to each other's ETF products on a joint market.



**TSE and SGX Pursue Strategic Alliance**

On October 1, 2001, TSE and the Singapore Exchange (SGX) announced plans to pursue a strategic alliance

aimed at broadening distribution and enhancing the liquidity of products traded on both markets.

The two exchanges agreed to explore initiatives related to cross access arrangements for the co-trading and clearing of products listed on both exchanges, new product development, marketing, information technology development, and information sharing. The cross access arrangements will enhance the access of their respective members into each other's markets and expand the range of financial instruments available to both the Singaporean and Japanese capital markets.

**Agreement with CME for 24-Hour Trading of S&P/TOPIX 150 Futures**

Chicago Mercantile Exchange Inc. (CME) and TSE signed an agreement to enable customers to trade S&P/TOPIX 150 stock index futures around the clock on the two exchanges.

Developed by Standard & Poor's and TSE, the S&P/TOPIX 150 Index is the world's first index covering Japan's equity markets that is free-float adjusted and calculated in real time.

Under the agreement, S&P/TOPIX 150 futures will be available for trading on CME's GLOBEX® electronic trading platform during the hours they are not available on TSE. Trading in CME S&P/TOPIX 150 contracts began on March 18. The trading alliance for S&P/TOPIX 150 futures resulted from an agreement the two exchanges made in late 2000 to pursue a global alliance to further develop both exchanges' fixed income and equity derivatives markets.

**Risk Management Committee**

TSE has put into effect a committee for risk management to help appropriately and effectively deal with risk and respond to problems, such as system failures, as they occur at the exchange. The objective of this committee is two-fold, to coordinate the activities that ensure the safety of TSE's operations and to respond to problems as they occur. This committee was put in place under the Board of Directors and TSE President Masaaki Tsuchida serves as its chairman.

**REITs Targeted for Standardized Margin and Loan Transactions**

Since their introduction last year in the Tokyo market, REITs have enjoyed a very favorable reception in the market, which has led TSE to consider them as good candidates to be included in the margin transaction framework. Due to increased demand from investors to utilize REITs in margin trading, and with a view to increase the activity and convenience of its exchange, TSE introduced standardized margin and loan transactions for REITs on its exchange in early June.

**Agreement with NYSE to Share Information on Market Surveillance**

TSE and the New York Stock Exchange, Inc. (NYSE) signed an agreement on June 4 to share market surveillance information in their respective markets.

Responding to the continuing surge in global trading and investment, the agreement aims to further improve the fairness and transparency of both markets. Under the terms of the agreement, TSE and the NYSE can ask each other to provide information or documents relating to financial instruments traded on their respective exchanges, and information relating to members and trading participants on the exchanges. The information can be used only for the purpose of market surveillance or investigative activities. Both stock exchanges will also proactively support and promote efforts towards the international harmonization of market surveillance regulations and standards, as well as international cooperation among other relevant organizations.

**Joint Market Promotion with KSE**

To commemorate the 2002 FIFA World Cup Korea/Japan™, TSE and the Korea Stock Exchange held a joint market promotional event in the centers of their respective exchanges. The two exchanges kicked off this event on May 29, two days prior to the opening match of the tournament. TSE began with an opening ceremony attended by TSE officials and prominent members of the local Korean community. Various seminars on the Korean economy and market were also held over the course of the two-week program.

As part of its global strategy to increase the international opportunities of its market, TSE used this promotional event to deepen the understanding among Japanese investors about the Korean market and investment opportunities there. Korean culture was also highlighted at TSE throughout the two weeks with a poster and picture exhibit depicting scenes of every day Korean life.

This event also helped shine light on the strong and growing relationship that exists between Japan and Korea. Through this event and others like it in the future, TSE and KSE hope to deepen the understanding of each other's markets and contribute to the overall Japan-Korea partnership.



The Japanese economy, despite constant government efforts to roll out economic measures designed to spark reform and economic growth, grew increasingly pale over the latter half of this past year. Furthermore, following the terrorist attacks on the United States in September, uncertainty prevailed in the global economy, and European and Asian economies in particular exhibited a strong downward trend.

In the equity markets, the expectations of Prime Minister Koizumi's reforms initially helped raise the market, but those gains were soon erased before the market leveled out through most of the period. Towards the end of the period, however, expectations concerning the government's deflationary packages, a rise in the U.S. equities market, and increased market participation from both domestic and foreign investors helped raise the market as well as increase trading volume.

Even within this difficult environment the TSE Group, taking advantage of its stock company status, has worked to cut costs and execute the following six goals: 1) Provide attractive investment opportunities, 2) Create strong trading and settlement infrastructure, 3) Increase the fairness and reliability of the market, 4) Expand information services, 5) Strengthen its functions as a global market, and 6) Implement various policies to strengthen the functions of the Japanese securities market. Furthermore, with a view to increasing the management efficiency of the entire group, TSE has transferred most of its stake in Tosho Computer Systems Co., Ltd. (TCS) to Prime Systems, Inc., retaining a 35% share of TCS. Along with the stable provision of its own services, TCS will now, through use of Prime Systems' cutting edge technology, be able to expand into different fields and increase the scope of its operations. TSE expects the positive synergies created through this alliance to contribute to the Group's operations for years to come. Furthermore, as part of the Group's strategy, TSE has made Tosho System Service Co., Ltd. (TSS) a full subsidiary, hoping to capitalize on TSS's clearing and settlement system development work.

**Segmented Operating Revenues**

**Trading Participants' Fees and Dues 42.8%**  
TSE receives fees and dues from trading participants in two ways: set fees for the year and money received as a percentage of trading participants' trading value and volume. As of March 31, 2002 there are 114 general trading participants, 88 JGB futures and options trading participants and one TOPIX futures and options trading participant.

**Listing Fees 18.6%**  
TSE collects listing examination and initial listing fees from companies when they first list on the 1st Section, 2nd Section, or Mothers markets as well as yearly listing fees.

**Information Services Income 14.5%**  
Composed of income received through TSE's information services business.

**System Development/Application Income 8.6%**  
Composed of income received through TCS and TSS, a major investment and subsidiary – respectively – of TSE, from their system development business.

**Securities Settlement Income 6.5%**  
Composed of income received through the business operations of TSE's subsidiary, Japan Securities Clearing Corporation.

**Other Income 9.1%**  
Other income is primarily composed of money received through the lease of trading terminals to trading participants and their subsequent maintenance, but also includes income from Arrows rental fees, etc.

As a result of its activities, the TSE Group recorded a consolidated operating revenue of ¥44.735 billion, operating expenses of ¥42.982 billion, operating profit of ¥1.753 billion, and a current profit of ¥2.296 billion. Also, by selling part of TCS, TSE booked ¥1.332 billion in extraordinary profits on the one hand, but also recorded ¥1.669 billion in extraordinary losses due to changes in accounting processes for TCS. Net earnings before taxes for the consolidated group came to ¥1.959 billion.

**Trading Participants**

	Number	Change from Previous Period
End of FY 2000	119	-4
<b>End of FY 2001</b>	<b>114</b>	<b>-5</b>

Note: Regular members were used to calculate End of FY 2000 data, while general trading participants were used to calculate End of FY 2001 data

**Trading Results**

Equities

	Trading Volume (1,000 shares)	% Change	Trading Value (¥ mils.)	% Change	TOPIX Value	% Change
FY 2000	699,145	2.1	¥881,976	-8.7	1,277.27	-25.1
<b>FY 2001</b>	<b>860,856</b>	<b>23.1</b>	<b>¥821,180</b>	<b>-6.9</b>	<b>1,060.19</b>	<b>-17.0</b>

Note: Daily averages are used for trading volume and trading value figures

JGB Futures

	Trading Volume (¥100 mil.)	% Change
FY 2000	¥37,310	-9.8
<b>FY 2001</b>	<b>¥28,604</b>	<b>-23.3</b>

Note: Daily averages are used for trading volume figures

TOPIX Futures

	Trading Volume (Units)	% Change	Trading Value (¥ mils.)	% Change
FY 2000	17,004	19.4	¥242,633	11.3
<b>FY 2001</b>	<b>23,611</b>	<b>38.9</b>	<b>¥261,039</b>	<b>7.6</b>

Note: Daily averages are used for trading volume and trading value figures

**New Listings**

	Newly Listed Companies	Change from Previous Period
FY 2000	155	59
<b>FY 2001</b>	<b>84</b>	<b>-71</b>

Note: Represents total of TSE's 1st Section, 2nd Section and Mothers market companies

**Listed Companies and Shares**

	Listed Companies	Change from Previous Period	Listed Shares (mils.)	% of Previous Period
End of FY 2000	2,072	107	333,329	93.5
<b>End of FY 2001</b>	<b>2,112</b>	<b>40</b>	<b>337,009</b>	<b>101.1</b>

Note: Represents total of TSE's 1st Section, 2nd Section and Mothers market companies



# CONSOLIDATED BALANCE SHEET

March 31, 2002	Thousands of U.S. Dollars		Thousands of U.S. Dollars	
	Millions of Yen	2002	Millions of Yen	2002
<b>Assets</b>			<b>Liabilities</b>	
<b>Current assets</b>			<b>Current liabilities</b>	
Cash and bank deposits	¥ 17,058	\$ 128,705	Accounts payable	¥ 2,004 \$ 15,120
Accounts receivable	2,392	18,048	Income tax payable	1,100 8,299
Short-term investment securities	1,010	7,620	Consumption tax payable	361 2,723
Short-term guarantee money deposits	2,007	15,143	Returnable deposits	2,184 16,478
Margin funds for derivatives and when-issued transactions	937,644	7,074,689	Employee-bonus payable	746 5,628
Deposits for clearing fund	195,796	1,477,315	Returnable margin funds for derivatives and when-issued transactions	937,644 7,074,689
Deposits as collateral preceding settlement day	160,842	1,213,581	Returnable deposits for clearing fund	195,796 1,477,315
Deferred taxation receivable	137	1,033	Returnable deposits as collateral preceding settlement day	160,842 1,213,581
Other current assets	3,099	23,382	Returnable deposits as trading participants guarantee	3,153 23,789
Allowance for loan losses	(2)	(15)	Other current liabilities	142 1,071
<b>Total current assets</b>	<b>1,319,987</b>	<b>9,959,535</b>	<b>Total current liabilities</b>	<b>1,303,977 9,838,736</b>
<b>Non-current assets</b>			<b>Non-current liabilities</b>	
<b>Tangible fixed assets, net (Note 11)</b>			Long-term debt	11 82
Buildings	4,466	33,696	Allowance for executive retirement costs	243 1,833
Information system equipment	4,058	30,618	Allowance for employee retirement costs	5,655 42,667
Land	2,399	18,100	Guarantee money received	1,052 7,937
Other tangible fixed assets	1,285	9,695	Returnable legal guarantee funds	3,719 28,060
<b>Total tangible fixed assets</b>	<b>12,209</b>	<b>92,119</b>	Other long-term liabilities	268 2,022
<b>Intangible fixed assets, net</b>			<b>Total non-current liabilities</b>	<b>10,951 82,627</b>
Software	8,716	65,763	<b>Total liabilities</b>	<b>1,314,928 9,921,364</b>
Consolidated goodwill	35	264	<b>Minority interest</b>	
Other intangible fixed assets	131	988	Minority interest	— —
<b>Total intangible fixed assets</b>	<b>8,883</b>	<b>67,023</b>	<b>Shareholders' equity</b>	
<b>Investments and other assets</b>			Common stock	11,500 86,769
Long-term investments (Note 11)	3,762	28,384	Additional paid in capital	22,874 172,588
Guarantee money deposits	13,623	102,787	Consolidated retained earnings	30,843 232,715
Legal guarantee funds	3,719	28,060	<b>Total shareholders' equity</b>	<b>65,218 492,081</b>
Special bank deposit for default compensation reserve fund	17,367	131,037	<b>Total liabilities and shareholders' equity</b>	<b>¥ 1,380,147 \$10,413,453</b>
Deferred taxation receivable	324	2,444		
Others	409	3,085		
Allowance for loan losses	(140)	(1,056)		
<b>Total investments and other assets</b>	<b>39,067</b>	<b>294,767</b>		
<b>Total non-current assets</b>	<b>60,160</b>	<b>453,917</b>		
<b>Total assets</b>	<b>¥ 1,380,147</b>	<b>\$10,413,453</b>		

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF INCOME / CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended March 31, 2002	Thousands of U.S. Dollars	
	Millions of Yen	2002
<b>Operating revenues</b>		
Trading participants' fees and dues	¥ 19,141	\$ 144,422
Listing fees	8,328	62,836
Income from information services	6,466	48,787
Income from system development & application	3,843	28,996
Income from securities settlement	2,888	21,790
Other operating income	4,067	30,686
<b>Total</b>	<b>44,735</b>	<b>337,533</b>
<b>Operating expenses (Note 12)</b>	<b>42,982</b>	<b>324,306</b>
<b>Operating profit</b>	<b>1,753</b>	<b>13,226</b>
<b>Non-operating revenues</b>		
Interest and dividends income	147	1,109
Rent income	267	2,014
Income from fines levied	190	1,433
Grants in aid	126	950
Collateral contribution fees	102	769
Consolidated goodwill depreciation	7	52
Equity in earnings of affiliated companies	5	37
Other non-operating revenues	113	852
<b>Total</b>	<b>960</b>	<b>7,243</b>
<b>Non-operating expenses</b>		
Interest expense	112	845
Rent expense	294	2,218
Other non-operating expenses	9	67
<b>Total</b>	<b>416</b>	<b>3,138</b>
<b>Current profit</b>	<b>2,296</b>	<b>17,323</b>
<b>Extraordinary profits</b>		
Capital gain through sale of subsidiary	1,264	9,537
Other extraordinary profits	67	505
<b>Total</b>	<b>1,332</b>	<b>10,050</b>
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets (Note 12)	489	3,689
Other extraordinary losses	1,179	8,895
<b>Total</b>	<b>1,669</b>	<b>12,592</b>
Net earnings before taxes	1,959	14,781
Corporate, local inhabitants and enterprise taxes	1,991	15,022
Tax adjustment	(829)	(6,254)
Minority interest	46	347
<b>Net earnings</b>	<b>¥ 843</b>	<b>\$ 6,360</b>
<b>Balance of consolidated retained earnings at the beginning of year</b>	<b>¥ 30,188</b>	<b>\$ 227,773</b>
<b>Decrease in consolidated retained earnings before demutualization</b>	<b>188</b>	<b>1,418</b>
<b>Net earnings</b>	<b>843</b>	<b>6,360</b>
<b>Balance of consolidated retained earnings at the end of year</b>	<b>¥ 30,843</b>	<b>\$ 232,715</b>

See accompanying notes to the consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2002

	Millions of Yen	Thousands of U.S. Dollars
	2002	2002
<b>Cash flows from operating activities</b>		
Net earnings before tax	¥ 1,959	\$ 14,781
Depreciation	6,143	46,350
Consolidated goodwill depreciation	(7)	(52)
Loss on disposal of fixed assets	489	3,689
Capital gain through sale of a subsidiary	(1,264)	(9,537)
Decrease in loan loss reserve	115	867
Decrease in accrued bonuses	(18)	(135)
Decrease in executive retirement allowances	(104)	(784)
Increase in retirement reserves	1,069	8,065
Equity in earnings of affiliated companies	(5)	(37)
Interest and dividends income	(147)	(1,109)
Interest expense	112	845
(Increase) decrease in leasing assets	1,286	9,703
(Increase) decrease in trade receivable	541	4,081
(Increase) decrease in inventories	33	248
(Increase) decrease in other assets	(2,129)	(16,063)
Increase (decrease) in trade payable	132	995
Increase (decrease) in other liabilities	(1,302)	(9,823)
Other	(82)	(618)
Subtotal	6,822	51,473
Corporate and other taxes paid	(1,213)	(9,152)
Interest and dividends received	287	2,165
Interest paid	(144)	(1,086)
<b>Net cash provided by operating activities</b>	<b>5,751</b>	<b>43,392</b>
<b>Cash flows from investing activities</b>		
Additions to investments	(2)	(15)
Proceeds from the sale of investments	1,507	11,370
Additions to fixed deposits	(1,359)	(10,253)
Proceeds from the refund of fixed deposit	3,636	27,434
Proceeds from the sale of investment securities	849	6,405
Additions to investment securities	(1,446)	(10,910)
Proceeds from the sale of fixed assets	3	22
Additions to fixed assets	(1,849)	(13,951)
Additions to computer software	(1,727)	(13,030)
Proceeds from the return of participants guarantee money deposited	3,311	24,982
Additions to participants guarantee money deposits	(1,015)	(7,658)
Return of members' deposits	(13,160)	(99,294)
Proceeds from the receipt of guarantee money	189	1,426
Return of guarantee money received	(152)	(1,146)
Loan expense	(32)	(241)
Collection of loan receivables	114	860
Proceeds from the transfer of subsidiary's stock	1,054	7,952
Additional purchase of subsidiary's stock from minority shareholders	(155)	(1,169)
Other	(29)	(218)
<b>Net cash used in investing activities</b>	<b>(10,265)</b>	<b>(77,451)</b>
<b>Cash flows from financing activities</b>		
Payment on long-term debt	(1,505)	(11,355)
Refund of capital contribution	(1,434)	(10,819)
<b>Net cash used in financing activities</b>	<b>(2,940)</b>	<b>(22,182)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(7,453)</b>	<b>(56,234)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>24,472</b>	<b>184,645</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>¥ 17,019</b>	<b>\$ 128,411</b>

See accompanying notes to the consolidated financial statements.

## 1. Business year

The accompanying financial statements reflect the results of operations for the consolidated group for a period of one year beginning April 1, 2001 and ending March 31, 2002.

## 2. Scope of consolidation

The accompanying financial statements include the accounts of Tokyo Stock Exchange, Inc. (TSE) and two subsidiaries, Japan Securities Clearing Corporation and Tosho System Service Co., Ltd. During the year, due to a share transfer to a third company, Tosho Computer Systems Co., Ltd. (TCS) ceased to be a subsidiary of TSE and was therefore removed from the consolidated group. When accounting for TCS, the equity method of accounting is applied. However, as the date for transfer of shares in TCS is considered as having occurred at the end of the accounting period for the consolidated group, the profit and loss of TCS is included in the profit and loss reports for the consolidated group for this financial period.

## 3. Presentation of figures and the use of U.S. dollar amounts

Japanese yen amounts in the accompanying financial statements are presented in millions of yen, and all figures before the millions place are cut off without rounding.

U.S. dollar figures are included solely for the convenience of the reader and should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. The exchange rate of \$1 = ¥132.535, the approximate exchange rate at the end of March 2002, is used to calculate all dollar figures for the accompanying financial results of TSE as of and for the year ended March 31, 2002. All dollar amounts, presented in thousands of dollars, are calculated using the presented yen amounts, and all figures before the thousands place are cut off without rounding.

## 4. Application of equity method accounting

The equity method of accounting is applied to TSE's investments in NSB News Service Co., Ltd. and Japan Securities Depository Center. Furthermore, as written above, the equity method of accounting is also applied to TCS for the consolidated group year-end accounting.

## 5. Financial year of operation for subsidiaries in the consolidated group

The financial year of operation, which ends on March 31, is the same for the parent company, TSE, and all subsidiary companies.

## 6. Accounting policies

### (1) Standards and methods for the valuation of assets

#### 1. Short-term investments

##### Other short-term investments

Valuations for marketable investments are derived using their market value on the day accounts were closed (disparities between the market value and book value are processed with the total capital entry method, and acquisition costs are calculated by the moving average cost method). The values of non-marketable investments are valued at cost using the periodic average method.

#### 2. Inventory

Works in progress are valued using the individual cost method.

### (2) Asset depreciation methods

#### 1. Tangible assets

The depreciation of tangible assets is generally computed by the declining-balance method based on the estimated useful lives of these assets as regulated in the Corporation Income Tax Law of Japan. However, straight-

line depreciation is employed for the building (excluding facilities attached to the building) acquired by Japan Securities Clearing Corporation on April 1, 1998. Furthermore, property leased by TCS is leased for its entire useful life with a residual value of 0. Straight-line depreciation is used to account for its depreciation.

### 2. Intangible assets

Straight-line depreciation is applied to intangible assets. Furthermore, straight-line depreciation is also used for computer software used within TSE, with a useful life of 5 years.

### (3) Standards for recording allowances

#### 1. Loan loss reserves

To account for bad debts and loan losses, the following methods are used. The expected loss method, based on TSE's historical loss experience, is applied to general debts and loans. Furthermore, the collectibility of special debts is examined on a case-by-case basis, after which the amount to record as unrecoverable is determined.

#### 2. Employee bonuses

Estimates for employee bonuses earned this period but to be paid next period are recorded in this year's financial statements.

#### 3. Reserves for retirement allowance

TSE has posted the amounts of retirement allowance which are considered to have accrued at the end of this fiscal year based on the projections for those retirement allowances and pension assets at the end of this fiscal year.

Excess retirement expenditure that occurred as a result of changes in accounting processes two years ago is amortized via the straight-line method over a 15-year period. However, the similar discrepancy for TCS is amortized over 5 years.

The mathematical discrepancy for the amounts is processed straight-line over a 10-year period based on the average remaining years of work for employees at the time of the adjustment.

Past service liability is processed straight-line over a 10-year period based on the average remaining years of work for employees at the time of the adjustment.

#### 4. Executive retirement allowance

In order to provide for retirement payments to executives, an allowance for executive severance payments is recorded based on TSE's bylaws.

#### (4) Leases

Financial leases other than those where the property rights of the leased assets are deemed to have transferred to the borrower are accounted for with methods similar to those for normal leases.

#### (5) Items concerning the preparation of the consolidated financial sheets

##### 1. Accounting for consumption tax

The consolidated financial sheets are prepared with the consumption tax excluded method.

## 7. Valuation of subsidiary assets and liabilities

The assets and liabilities of the subsidiaries of the consolidated group are valued at their assessed market value.

## 8. Consolidated goodwill depreciation

Consolidated goodwill for Tosho System Service Co., Ltd. is depreciated equally over a 5-year period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. Profit appropriation and loss disposal

The consolidated statement of retained earnings is prepared based on the appropriation of profits and the disposal of losses recorded during the fiscal year.

## 10. Scope of capital included in consolidated cash flow statement

Capital in the consolidated statement of cash flows (cash and cash equivalents) is comprised of cash on hand, deposits available for withdrawal, assets easily transferable into cash, and short term investments with a maturity of 3 months or less from the acquisition date.

## 11. Notes to the consolidated balance sheet

March 31, 2002

	Millions of Yen	Thousands of U.S. Dollars
(1) Breakdown of tangible asset depreciation		
Buildings	¥ 7,798	\$ 58,837
Information system equipment	8,533	64,382
Other	3,251	24,529
Total	¥ 19,583	\$ 147,757

(2) Items for affiliated companies		
Long-term investments (stock)	¥ 2,707	\$ 20,424

(3) Debt guarantee		
Debt guarantees are provided by Tokyo Stock Exchange, Inc. and Tosho System Service Co., Ltd. to their employees for home loans borrowed from financial institutions.		
Employees	¥ 5,247	\$ 39,589

## 12. Notes to the consolidated statement of income

Year ended March 31, 2002

	Millions of Yen	Thousands of U.S. Dollars
(1) The main operating costs are as follows:		
Salary	¥ 10,956	\$ 82,664
Bonus allowance carried over	1,096	8,269
Retirement payments	2,187	16,501
Executive retirement allowance carried over	97	731
System costs	3,950	29,803
Real estate rental	6,703	50,575
Depreciation	7,895	59,569
(Of which originates from leased capital)	(1,781)	(13,437)
Entrusted business costs	2,424	18,289

(2) Breakdown of the loss on the disposal of fixed assets:		
Tangible fixed assets	¥ 376	\$ 2,836
Software	85	641
Intangible assets and others	27	203
Total	¥ 489	\$ 3,689

## 13. Notes to the consolidated statement of cash flows

Year ended March 31, 2002

Millions of Yen Thousands of U.S. Dollars

(1) Remaining balance of cash and cash equivalents at the end of the fiscal period and items concerning cash amount as written on the balance sheet

	As of March 31, 2002	
	Millions of Yen	Thousands of U.S. Dollars
Cash and deposits	¥ 17,058	\$ 128,705
Securities	1,010	7,620
Deposits with a withdrawal date of over 3 months	(1,050)	(7,922)
Cash and cash equivalents	¥ 17,019	\$ 128,411

(2) Breakdown of assets and liabilities of Tosho Computers Systems Co., Ltd. The assets and liabilities of Tosho Computers Systems Co., Ltd., which ceased to be a subsidiary through a transfer of shares to a third company, at the time of its exclusion from the consolidated group are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 3,543	\$ 26,732
Non-current assets	5,902	44,531
Total assets	¥ 9,445	\$ 71,264
Current liabilities	¥ 2,762	\$ 20,839
Non-current liabilities	3,676	27,736
Total liabilities	¥ 6,438	\$ 48,575

## 14. Additional Information

Year ended March 31, 2002

(1) Retained earnings  
1. On November 1, 2001 Tokyo Stock Exchange, Inc. changed from a membership organization to a stock company. As a result, the beginning balance for retained earning includes the following items:

Money reserved for building and machinery	
Default compensation reserve	
Default compensation reserve for JGB futures and options	
Default compensation reserve for TOPIX futures and options	
Default compensation reserve for equity options	

2. The slight decrease in consolidated retained earnings (¥188 million) reflects cash returns given to withdrawing members before demutualization.

(2) Accounting procedures for severance payments to Tosho Computer Systems Co., Ltd. employees

On the last day of the fiscal year, parent company status of Tosho Computer Systems Co., Ltd. was transferred from Tokyo Stock Exchange, Inc. to a third company due to TSE's transfer of shares of TCS in February 2002. Along with the transfer of management responsibilities, and in order to enact the smooth transfer of accounting processes to the new parent company, TSE, on the last day of the fiscal year, enacted the following accounting procedural changes concerning TCS severance payments.

1. TSE had used the simplified method for accounting for TCS retirement payments but changed to the principle method at the end of the fiscal period. The influence this change had on the allowance for retirement payments (¥680 million) is booked as an extraordinary loss.

2. TSE amortized excess severance expenditure over a 15-year period but changed the period to 5 years. The influence this change had on the allowance for severance payments (¥278 million) is booked as an extraordinary loss.

# NON-CONSOLIDATED FINANCIAL STATEMENTS

## Non-consolidated Balance Sheet

March 31, 2002	2002	2002	March 31, 2002	2002	2002
	Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
<b>Assets</b>			<b>Liabilities</b>		
Total current assets	¥ 1,317,904	\$ 9,943,818	Total current liabilities	¥ 1,303,640	\$ 9,836,194
Total non-current assets	56,235	86,512	Total non-current liabilities	10,587	79,880
Total tangible fixed assets, net	11,466	66,450	<b>Total liabilities</b>	<b>1,314,228</b>	<b>9,916,082</b>
Total intangible fixed assets, net	8,807	271,332	<b>Shareholders' equity</b>		
Total investments and other assets	35,961	424,303	<b>Common stock</b>	¥ 11,500	\$ 86,769
<b>Total assets</b>	<b>¥ 1,374,139</b>	<b>\$ 10,368,121</b>	Total statutory reserve	24,515	184,970
			Total retained earnings	23,895	180,291
			Default compensation reserve fund	17,367	131,037
			Building and machinery reserve fund	3,284	24,778
			Separate reserve fund	135	1,018
			Unappropriated retained earnings (Of which are earnings from this period)	3,108	23,450
				(2,826)	(21,322)
			<b>Total shareholders' equity</b>	<b>59,910</b>	<b>452,031</b>
			<b>Total liabilities and shareholders' equity</b>	<b>¥ 1,374,139</b>	<b>\$ 10,368,121</b>

## Non-consolidated Statement of Income

Year Ended March 31, 2002	2002	2002
	Millions of Yen	Thousands of U.S. Dollars
<b>Current profits and losses</b>		
<b>Operating profits and losses</b>		
Operating revenue	¥ 36,135	\$ 272,644
Operating expenses	34,827	262,775
Operating profit	1,308	9,869
<b>Non-operating profits and losses</b>		
Non-operating revenue	1,385	10,450
Non-operating expenses	1,059	7,990
Current profit	1,635	12,336
<b>Extraordinary profits and losses</b>		
Extraordinary profits	¥ 2,896	\$ 21,850
Capital gain through sale of a subsidiary	2,896	21,850
Other extraordinary profits	0	0
Extraordinary losses	602	4,542
Loss on sale / disposal of fixed assets	447	3,372
Other extraordinary losses	154	1,161
Net earnings before taxes	¥ 3,929	\$ 29,644
Corporate, local inhabitants, and enterprise taxes	1,540	11,619
Tax adjustment	(438)	(3,304)
Earnings	2,826	21,322
Increase in unappropriated profit before demutualization	281	2,120
Unappropriated earnings	¥ 3,108	\$ 23,450

## Statement of Appropriation of Retained Earnings

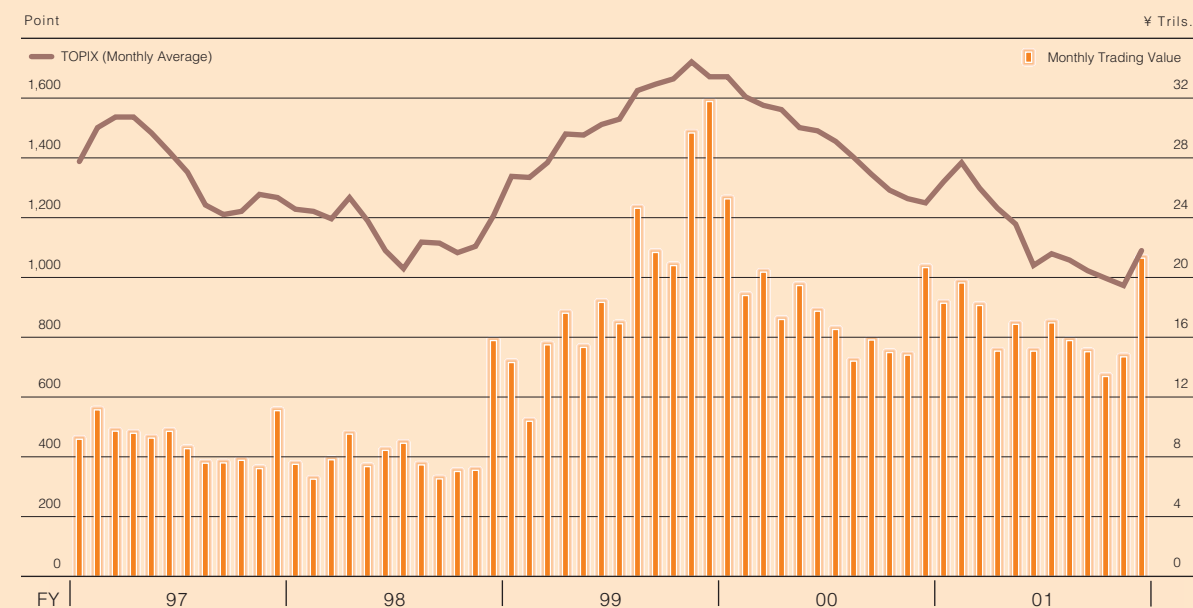
Year Ended March 31, 2002	2002	2002
	Millions of Yen	Thousands of U.S. Dollars
Unappropriated retained earnings at end of term	¥ 3,108	\$ 23,450
<b>Appropriation of earned surplus</b>		
Separate reserve fund	3,100	23,390
<b>Total</b>	<b>3,100</b>	<b>23,390</b>
<b>Balance to be carried forward</b>	<b>¥ 8</b>	<b>\$ 60</b>

The non-consolidated balance sheet and statement of income are summarized from the original reports released by Tokyo Stock Exchange, Inc.

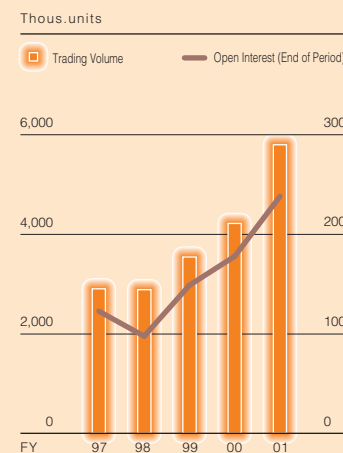
As of March 31, 2002  
All figures in parenthesis represent comparisons with FY 2000 end of term data

Market Data

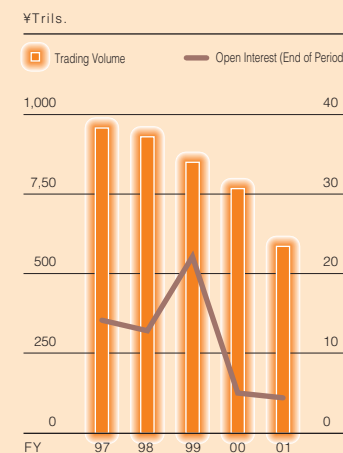
TOPIX Domestic Equities Trading Value



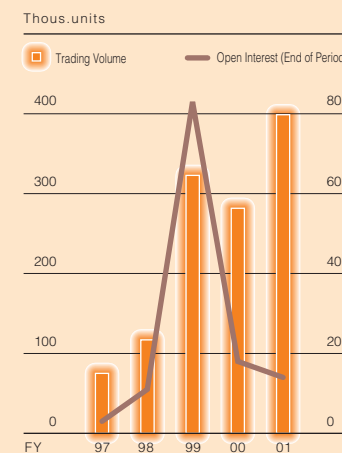
TOPIX Futures



JGB Futures



Equity Options



For the year ended March 31, 2002, TSE welcomed 85 newly listed companies, extending its listings to 2,149 companies. TSE plans to continually increase this number by sponsoring listing seminars and holding listing promotional activities throughout the year.

Domestic Equities

Listed Companies	2,112	(+40)
1st Section	1,501	(+32)
2nd Section	576	(+5)
Mothers	35	(+3)

Listed Issues	2,124	(+43)
1st Section	1,510	(+37)
2nd Section	578	(+3)
Mothers	36	(+3)

Listed Shares	337,096,180,000.09	(+3,766,965,818.28)
1st Section	323,891,254,265.53	(+3,782,868,995.14)
2nd Section	13,134,018,467.34	(-34,412,127.14)
Mothers	70,907,267.22	(+18,508,950.28)

Preferred Stock

Listed Companies	1	(+1)
Listed Issues	1	(+1)
Listed Shares	3,072,000	(+3,072,000)

Foreign Equities

Listed Companies	37	(-1)
Listed Issues	37	(-1)
Listed Shares	72,673,957,517	(-1,652,808,130)

Preferred Subscription Certificates

Listed Companies	1	(±0)
Listed Issues	1	(±0)
Listed Certificates	354,111	(±0)

Investment Trust Beneficiary Certificates

Listed Certificates	749,591,251
Listed Issues	12

Foreign Investment Trust Beneficiary Certificates

Listed Certificates	220,000	
Listed Issues	2	(+1)

Real Estate Investment Trusts

Listed Certificates	493,500
Listed Issues	3

Straight Bonds

Issuers	5	(-5)
Listed Issues	193	(+19)
Face Value of Listed Issues	359,359,614,250,000	(+80,497,554,600,000)

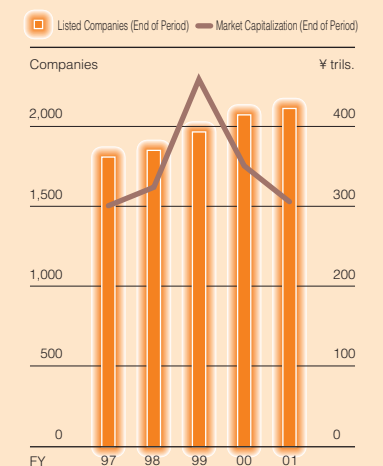
Convertible Bonds

Issuing Companies	345	(-63)
Listed Issues	485	(-119)
Face Value of Listed Issues	8,908,286,600,000	(-1,654,226,500,000)

Exchangeable Bonds

Listed Issues	2	(+1)
Face Value of Listed Issues	135,622,000,000	(+31,000,000,000)

Change in Domestic Listed Companies and Market Capitalization





# BOARD OF DIRECTORS AND CORPORATE AUDITORS

## Directors



**Masaaki Tsuchida**  
President & CEO



**Sadao Yoshino**  
Senior Managing Director & CFO  
Corporate Planning



**Kikuo Kagoshima**  
Managing Director & Executive Officer  
Cash and Derivatives Markets



**Atsuo Nishihara**  
Managing Director & Executive Officer  
International Affairs and Special Issues



**Takushi Shimoda**  
Managing Director & Executive Officer  
Listing

## Non-Executive Directors



**Yasuo Kuramoto**  
Vice Chairman  
Fidelity Investments Japan Limited



**Hitoshi Maeda**  
Professor Emeritus  
Gakushuin University



**Hiroshi Okuda**  
Chairman  
Toyota Motor Corporation



**Nobuo Tateisi**  
Chairman  
OMRON Corporation



**Junichi Ujii**  
President and CEO  
Nomura Securities Co., Ltd.



**Yotaro Yasu**  
President  
Jujiya Securities Co., Ltd.

## Corporate Auditors

### Standing Statutory Corporate Auditors



**Hiroshi Nakajima**



**Yuji Matsumoto**

### Non-Standing Statutory Corporate Auditors



**Seiichi Kato**  
Chairman  
Okasan Securities Co., Ltd.



**Koji Shindo**  
Lawyer and Professor Emeritus  
University of Tokyo

## Executive Officers



**Yasuo Tobiyama**  
Executive Officer  
Personnel and Information Services



**Eisuke Nagatomo**  
Executive Officer  
General Affairs and Finance



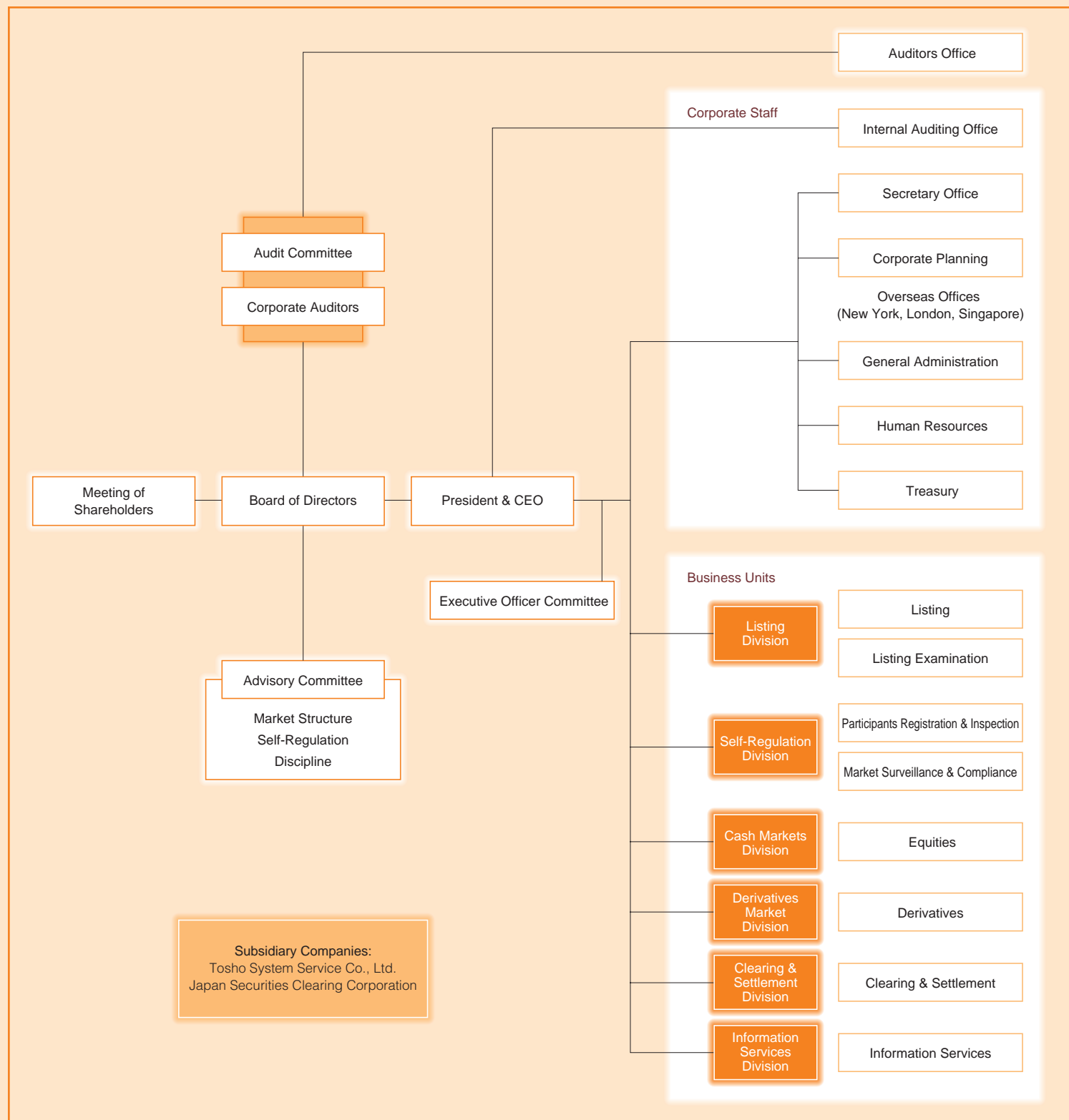
**Tomio Amano**  
Executive Officer  
Self Regulation



**Toshitsugu Shimizu**  
Executive Officer  
Clearing and Settlement

# ORGANIZATION

As of March 31, 2002



# CORPORATE DATA

As of March 31, 2002

<b>Name</b>	Tokyo Stock Exchange, Inc.	
<b>Representative Officer</b>	Masaaki Tsuchida President & CEO	
<b>No. of Officers</b>	Board of Directors	11
	Corporate Auditors	4
	Executive Officers	9 (5 of whom are also Board members)
<b>Address</b>	2-1, Nihombashi-Kabuto-cho Chuo-ku, Tokyo 103-8220, Japan	
<b>Founding</b>	April 1, 1949	
<b>Capital</b>	¥11.5 billion	
<b>No. of Employees</b>	792	
<b>Main Business:</b>	Market provision for the trading and settlement of cash and derivative securities; public announcement of market prices for those securities; maintenance of fair and equitable trading; other business related to the operation of a securities market.	
<b>Share Information</b>	Authorized Shares	9,200,000
	Shares Outstanding	2,300,000
	No. of Shareholders	114
<b>Trading Participants</b>	General Trading Participants	114
	JGB Futures and Options Trading Participants	88
	TOPIX Futures and Options Trading Participants	1
<b>Overseas Offices</b>	<p><b>New York Representative Office</b> 45 Broadway, New York NY 10006, U.S.A. Tel: (1) 212-363-2350</p> <p><b>London Representative Office</b> 4th Floor, Peninsular House 36 Monument Street London EC3R 8LJ, U.K. Tel: (44) 20-7236-0885</p> <p><b>Singapore Representative Office</b> 20 Collyer Quay, #10-02A Tung Centre, Singapore 049319 Tel: (65) 6438-5100</p>	