ANNUAL REPORT

Year ended March 31, 2006

OKASAN HOLDINGS,INC.

Corporate Profile

Okasan Holdings, Inc. is a holding company of the Okasan Group, a family of companies that propose a comprehensive range of investment and asset management services.

Back on April 4, 1923, Seiji Kato founded the Okasan Company. This company was later changed to Okasan Securities Company Limited, and it still retains its status as an independent securities company to this day. While most major securities companies were established in large cities and branched out into local regions, Okasan Securities came on the scene in a local city and then moved to Tokyo. This is a unique success story for a securities company.

Okasan Securities has always preferred face-to-face sales as the most dependable style of securities service. In the more than eighty years since its founding, the company has developed a host of community-based sales activities in the same vein. The "Be Honest" spirit passed down from founder Seiji Kato has won the confidence of customers and supported Okasan Securities throughout its history.

On October 1, 2003, Okasan Securities Co., Ltd. restructured itself into a holding company and changed its name to Okasan Holdings, Inc. Under this new structure, we will construct a solid management foundation to properly respond to diversified investment and asset management needs and to raise the value of the Okasan brand as a creative asset management service company.

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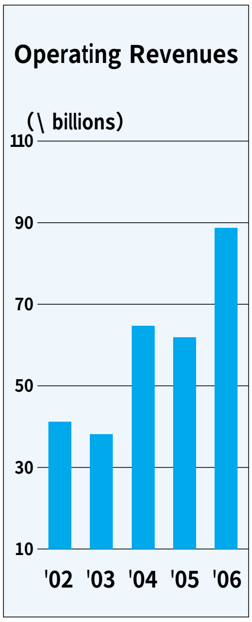
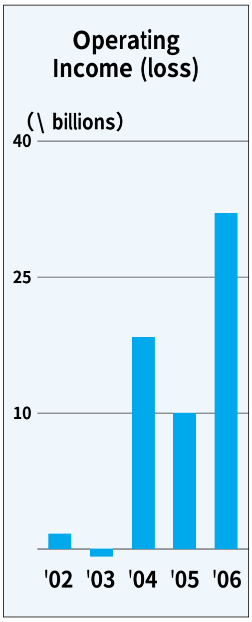
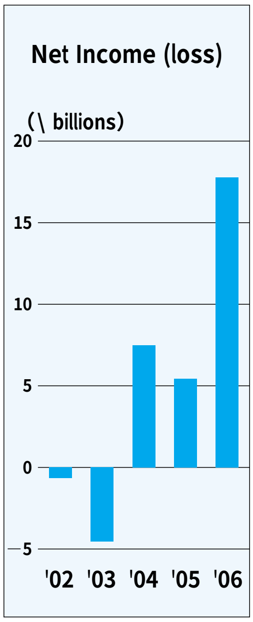
Okasan Holdings, Inc. and consolidated Subsidiaries Years ended March 31, 2006 and 2005

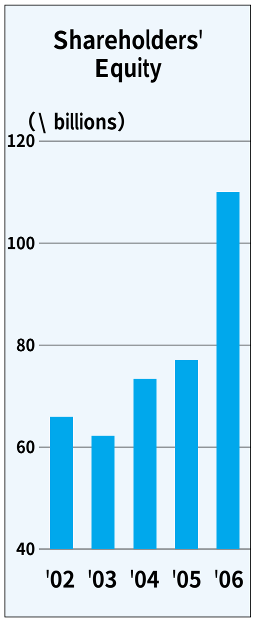
	Millions of yen		Thousands of U.S.dollars (note)
	2006 (4/1/05～3/31/06)	2005 (4/1/04～3/31/05)	2006 (4/1/05～3/31/06)
Operating revenues	\ 88,899	\ 58,438	$756,780
Operating income	34,748	10,091	295,803
Net income	17,899	5,574	152,371
Total assets	693,074	529,602	5,900,009
Shareholders' equity	110,660	76,222	942,028
Per share of common stock	yen		U.S.dollars (note)
Basic net income	\ 89.07	\ 27.36	$0.76
Cash dividends applicable to the year	25.00	15.00	0.21

Note: The translation of the yen amounts into U.S.dollars are included solely for the convenience of the reader,using the prevailing exchange rate at March 31,2006, which was ¥117.47 to U.S.$1.









Management Policy

Okasan Holdings ,Inc. and consolidated Subsidiaries

1. Basic policy

We operate as a group, encompassing subsidiaries and an affiliate at home and abroad, under the holding company Okasan Securities Co. Ltd. We are committed to realizing constant growth in our value through our "creative asset management services" with the key areas of securities and related businesses. It is our primary objective to become a trustworthy company for our customers, shareholders and markets alike.

2. Principles on the distribution of profits

We regard returns to shareholders as a priority of management. Whilst ensuring that sufficient earnings are retained with the view to strengthening management and moving further forward, we pay out dividends based on the Group's performance with the intention to maintain steady annual dividends.

The "Companies Act", put into effect in May 2006, will not affect our dividend policy, including the frequency of payments per year.

3. Policy on the new unit stock system

We recognize the importance of reducing the number of shares per unit used in equity trading from the viewpoint of cultivating a large investor base for the Japanese stock market and revitalizing it. We continue to study as to when and how to reduce the number of our shares per unit, taking into account relevant factors such as share price level, shareholding structure and the timing of introduction of a paperless issuance system in which shares will not be issued in paper form.

4. Target indicator for operating efficiency

Under rapidly-changing market conditions, it is vital to produce steady reliable results. ROE (return on equity) is an important indicator for measuring performance. We, therefore, aim to achieve 10% ROE on a consolidated basis to ensure operating efficiency.

5. Medium- to long-term management strategy

(1) Medium-term strategy and where we are now

We have successfully completed the three-year plan entitled "Okasan Securities Medium-Term Vision", which was adopted in March 2003. During those three years we transformed ourselves into a holding company (October 2003). We improved our financial position by means of disposal of the Okasan Kiba Building (November 2003). In addition, we have installed a basic operating system in preparation for the next medium-term. Regarding securities brokerage and dealing, the core company, Okasan Securities Co. Ltd, was actively engaged in relocation and renovation of the branches, as well as improving the standard of consulting services through training sales persons. As for the information service, the function of collection and dissemination of information on Asian markets has been strengthened with the formation of a tripolar network system, comprising Okasan (Shanghai) Investment Consulting Co. Ltd, set up in August 2005, the Asia Centre, opened in Tokyo (Toranomon, Minato-ku) in September 2005 and Okasan International (Asia) Limited in Hong Kong. In January 2006, in light of expanding internet trading, we established Okasan Online Securities Co. Ltd. On the product side, we focused on not only increasing assets of our flagship fund named "World Sovereign Income Fund", but also developing innovative products with creative schemes in the sense that they are pioneering products in the domestic market, such as the "World REIT Selection" and "China Road" series. As a result of our tireless efforts to meet customer needs, managed assets on a consolidated basis increased two-fold last year from \2,012.4 billion to \4,057.6 billion. The average consolidated ROE was 12.7% during the same period.

(2) New Medium-Term Management Plan

In 1998 the ban on banks' over-the-counter sales of investment trusts was lifted. In 1999 a fixed charge system for brokerage commission on share trading was abolished. By these stages of deregulation, "the concept of inter business and the fixed pricing system were destroyed". Consequently, the securities industry has entered a newera of unregulated "competition of creativity" where abilities to create innovative business models, products including information, and services hold the key to growth. In response to this environment requiring an aggressive approach, we are determined to make a quantum leap in the enterprise value of Okasan Group by actively and effectively inputting human resources, money and goods over the next two years in the run up to the 85th anniversary of our foundation. To achieve these objectives, we have defined a new Medium-Term Management Plan starting in April 2006.

The main points of the Plan are as follows.

Okasan Holdings Medium-Term Management Plan

1. Period

To March 2008 which falls on the 85th anniversary of our foundation

2. Theme

To aim to become a "super regional securities house"
To establish a unique operating style of securities trading suited to the region we operate in

3. Basic philosophy

(1) For "customers"
- I "Everything is for our customers"
- II To provide genuinely high quality products, information and services
- III To establish a distinctive operating style of securities trading based in the region

(2) For "employees" To become No.1 in terms of job satisfaction and reward

(3) For "shareholders" To improve the value of the Group with the core area of securities retailing

4. Targets (for the fiscal year ending March 2008)

Consolidated net assets	\150 billion
Consolidated ROE	10%
Credit Rating	A

5. Features of the Plan

There are 10 objectives to be focused on:

(1) Capital increase of Okasan Holdings
- ① Secure funds for active investment in human resources and goods
- ② Carried out in March 2006 ahead of the official date of implementation of the Plan

(2) Start-up of Okasan Online Securities Co. Ltd.
- ① Strengthening internet trading business, the fast-growing area of retail demand
- ② Planning our own unique strategy for success

(3) Setting up SMA department (Okasan Securities Co. Ltd)
- ① Promote as a "strategic product" for wealth management, which is aimed at well-offs
- ② Aim to expand a stable earnings base to increase immunity to the trends of the business cycle

(4) Developing a new securities trading system (the basic system for the next period)
- ① Shift from a mainframe computer to an open network system
- ② Enhance convenience and cut costs by shifting to real-time data-feeds

(5) Upgrade the functionality of "Okasan Online Trade", an account sharing scheme (Okasan Securities Co. Ltd)

① Enhance convenience for face-to-face customers

② Emphasis on "Initial investment in technology", including the start-up of Okasan Online Securities Co. Ltd by the Group

(6) Develop the branches (Okasan Securities Co. Ltd.)

① Relocation, expansion and renovation of all the existing branches

② Building new branches in the metropolitan Tokyo and Chubu areas

(7) Reinforce the sales team

① Active recruitment of sales persons, including career sales persons

② Provide incentives to attract competent talent in light of increased flexibility of the labour market

(8) Strengthen Okasan Group's brand name

① Improve efficiency through centralized control of website-related and PR activities

② Stronger focus on IR and PR for stakeholders, i.e. "customers", "employees (in particular, the newly recruited)" and "shareholders"

(9) Response to reforms

① Measures to take in response to the "Companies Act"

② Take measures to comply with Regulations Concerning Trading of Financial Products

③ Find effective solutions to cope with the shift to paperless and cashless business environment

(10) Strengthen the functionality of the holding company of "Okasan Holdings"

6. Challenges

The securities industry has entered an era of rapid changes. Stiffer competition has been spurred by an increasing number of new entrants, namely banks and different types of institutions. The government-led initiative "from savings to investment" has taken visible effect since October 2005 when the government lifted the ban on over-the-counter sales of investment trusts by post offices. On the other hand, the generation of the post-war baby boom will reach retirement age within a few years. Given these factors, it is highly likely that an unprecedented amount of funds will pour into the securities market at breakneck speed. Accordingly, there will, without doubt, be a dramatic rise in demand for comprehensive "asset management services".

As guidance to direct us to the future in this challenging climate, we implemented a new Medium-Term Management Plan in April this year. The central theme of the Plan is the pursuit of meaningfulness in society as a securities house. We seek to create a unique operating style, to the community we operate in, and give real satisfaction to our stakeholders, in other words, our customers, employees and shareholders. All the Group companies recognize the significance of achieving the objectives of the Plan and pledge to make a concerted effort to make it happen.

7. Basic Approach to Corporate Governance and the State of Implementation of Related Measures

(1) Basic approach to corporate governance

As globalization progresses and a shift in management towards creation of enterprise value accelerates, the importance of corporate governance is increasing. In response to this environmental change, we are committed to high standards of corporate governance as we regard it as one of our management responsibilities. As we face the challenges of a rapidly changing business landscape, we have undertaken to deliver such solutions so as to speed up the decision-making process and to enhance efficiency of the managerial and supervisory systems.

(2) Implementation of related measures

① Management Organization

The Board of Directors, as the supreme management decision-making authority, makes decisions about legal matters and matters related to the articles of association. It plans and implements group management strategy. The president of the company is responsible for execution of the board's decisions and overall control of management. The Board comprises 7 directors, which enables a speedy response in decision-making. There is no outside director at present. There are 2 advisory bodies to the president, "Group Management Strategy Conference", and "Group Management Supervisory Conference", to plan and decide an integrated and flexible management strategy and to enforce the supervisory system for group companies.

② Corporate audit

We have adopted an audit system, comprising 4 auditors (of which one is a standing statutory auditor), including 2 independent auditors in conformity with article 18.1 of the "Commercial Code of Japan and the Securities and Exchange Law". We also have a separate internal audit department with 2 designated officers. The financial audit is conducted by Toyo & Co.

The auditors form the Audit Committee, and the Committee discusses and decides on audit plans based on the internal audit standards and guidelines, in compliance with relevant laws and articles and memorandum of associations. The Audit Committee deliberates on audit opinions based on auditors' reports and oversees the decision-making process and business execution by the Board of Directors to ensure accountability is observed. For this purpose, auditors attend directors meetings and other important meetings, interview directors, and inspect important documents including those related to settlement of accounts. The Audit Committee performs audits appropriately in cooperation with financial auditors and the Internal Audit Department.

Operating and Financial Review

Okasan Holdings ,Inc. and consolidated Subsidiaries Years ended March 31,2006 and 2005

I. Operating Review

During fiscal 2005 the Japanese economy regained its footing after experiencing an essentially flat year. Having disposed of excess assets inherited from the Bubble years, the corporate sector resumed capital expenditures to deal with stronger demand for household IT equipment. Meanwhile, ahead of mass retirement of the generation of the post-war baby boom, employment conditions have improved, restoring the effective job offer ratio to over 1X for the first time in 13 years. Furthermore, exports were boosted by the steady US economy and the fast-growing economy of China. There has been speculation that the current recovery phase might beat the previous post-war record in terms of the length of period. In short, the recovery of the Japanese economy was sustained by stronger demand at home and abroad.

The stock market was initially in a downtrend with the Nikkei stock index registering its lowest level of \10,825 on 17 May. However, in August the government and the Bank of Japan declared that the economy had got out of stagnation. In September, the Liberal Democratic party won the election convincingly, and as a result, the expectation that structural reform would continue became widespread. This, together with the robust economy, revived the market. In January, this bullish sentiment was shattered by the "Livedoor Shock", but subsequently, the market rallied with the Nikkei Average reaching the \17,000 mark 5 years and 7 months after it did the last time and closed the year at a high of \17,059. Overall, the growth rate of the Nikkei Stock Average was 46.2%, the 5th highest since the war ended. As of the end of March 2006, the market capitalization of the First Section of the TSE was Y554 trillion, renewing the record on a year-end basis for the first time in 17 years. Turnover exceeded the level of the bubble years, driven by increasingly bullish foreign and individual investors.

The fixed income market inched up first due to stronger demand, and the yield of 10-year Government bonds declined as low as 1.165% at the end of June. Then in July, a combination of the surging stock market and a widespread concern about the Bank of Japan's lifting of the financial quantitative regulation reversed the direction of the market, causing the highest yield of 1.625% on 7 November. At this level, however, investors started to buy where value was perceived, and accordingly, the yield moved in a range between 1.40% and 1.60%. In March, in the wake of discontinuation of the financial qualitative regulation, the yield rose further as the market discounted the early lifting of zero interest rates.

In this environment, Okasan Group were devoted to providing information and advice on investment with a focus on the buoyant domestic stock market that marked a record high in turnover in both volume and value. In regard to foreign stocks, we prioritized to strengthening our information service operations for Asian stocks. In August last year we set up Okasan (Shanghai) Investment Consulting Co. Ltd, in which we hold a 100% stake, in Shanghai with a view to reinforcing our base for research in China. In September Okasan Securities Co. Ltd opened the "Asia Centre" in Tokyo (Toranomon, Minato-ku) to deliver improved information services to customers. Apart from stocks, we focused on promoting sales of an investment trust with monthly payments, which is very well received by customers, as well as broadening our product line in high-yielding currencies of foreign bonds.

Moreover, we continued to improve customer services by meeting the needs most customers had perceived. For example, we inserted an at-a-glance list of managed assets as a reference in a report of outstanding balances of trade. The range of investment vehicles in which deposited securities requiring the quotation of the market price has been widened as well.

As a consequence, Okasan Group posted strong results. Gross operating revenues was \88,899 million (152.1% of the previous year), and net operating revenues \87,222 million (153.0%). The rise in revenues more than offset increased selling, general and administrative expenses of \52,474 (111.9%), resulting in a three-fold increase in profits. Net profits were \17,899 million (321.1%).

1. Fees and commissions received

Total fees and commissions received increased to \52,686 million (138.9% of the previous year). The main items are explained as follows:

(1) Brokerage commissions

Fiscal 2005 was a historically buoyant year for the Tokyo Stock Exchange. It reported its average daily turnover (of total domestic ordinary shares) during the year to be 2,392 million shares in volume (146.4%) and \2,403.5 billion in value. Taking this excellent opportunity, we sought to create business by actively organizing lectures and seminars on the themes of the economy and security investment at our branches, while providing information and investment proposals on stocks with great potential, for example, as a series entitled "Seasonal Selection". Consequently, stock brokerage commissions advanced to \39,085 million (143.6%). Bond brokerage commissions were \80 million (123.0%). Together with other brokerage commissions, total brokerage commissions were boosted to \39,208 million (143.6%).

(2) Underwriting fees and selling concessions

During the year, in a favourable environment of much better corporate results and the lucrative stock market, the strong demand for funds, mainly for capital investment, was sustained. As for IPOs, despite the fact that substantial success was attained, due to a reduced number of large IPOs, compared with last year, the underwriting operation slowed down in volume and value alike. Underwriting fees and selling concessions totaled \807 million (80.5%), comprising \777 million (81.0%) stock-related fees and concessions and \30 million (70.7%) bond-related revenue.

(3) Placement and other commissions

A large part of placement and other commissions is accounted for by investment trusts. This year we identified two areas to focus on. Firstly, we aimed to accumulate assets by promoting sales of existing products such as the flagship "World Sovereign Income" range. Secondly, we endeavored to deliver products taking into consideration customer satisfaction and suitability for market conditions. We extended our product line by launching new products, such as funds enabling investment in foreign stocks or the markets in the newly industrializing economies and funds that benefit local communities. On top of that, taking the recovering Japanese economy into account, we introduced Japanese stock funds to take full advantage of the rallying Japanese stock market. As a result, placement commissions grew by a large margin to \10,385 million (134.9%). Other commissions were \2,286 million (118.5%) with the main contribution from agency fees related to investment trusts and commission on sales of insurance policies such as variable annuity insurance and life assurance aimed at executives.

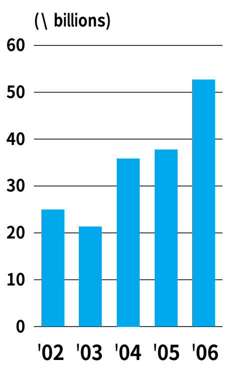
Fees and Commissions received

Breakdown by category

(Millions of yen except percentage)

	2006<A> (4/1/05～3/31/06)	2005<B> (4/1/04～3/31/05)	Ratio <A>/<B>
Brokerage commission	\39,208	\27,310	143.6
Equities	39,085	27,216	143.6
Bonds	80	65	123.0
Investment trusts	43	29	149.0
Underwriting fees and selling concessions	807	1,002	80.5
Equities	777	960	81.0
Bonds	30	42	70.7
Placement commissions	10,385	7,700	134.9
Other commissions	2,286	1,930	118.5
Total	\52,686	\37,942	138.9

Commissions



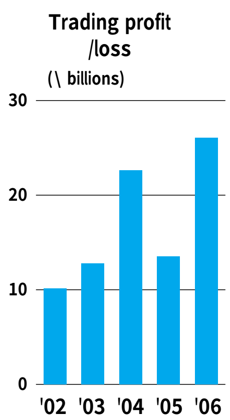
Breakdown by Product

(Millions of yen except percentage)

	2006<A> (4/1/05～3/31/06)	2005<B> (4/1/04～3/31/05)	Ratio <A>/<B>
Equities	\40,409	\28,570	141.4
Bonds	357	497	71.8
Investment trusts	10,696	7,954	134.5
Others	1,224	921	132.9
Total	\52,686	\37,942	138.9

2. Trading profit/loss

With the soaring stock market from summer onwards and the record turnover, gains from trading shares rose sharply to \16,685 million (197.0%). Likewise, increase in sales of foreign bonds drove income from bond trading to \9,312 million (216.5%). Together with other trading income of \90 million (91.9%), total trading profits more than doubled to \26,087 million (202.7%) from last year.



Trading profit/loss

(Millions of yen except percentage)

	2006<A> (4/1/05～3/31/06)	2005<B> (4/1/04～3/31/05)	Ratio <A>/<B>
Equities, etc.	\16,685	\8,469	197.0
Bonds & others	9,402	4,399	213.8
Bonds, etc.	9,312	4,301	216.5
Others	90	98	91.9
Total	\26,087	\12,868	202.7

3. Interest income

Interest receivables of \2,147 million (124.3%) offset interest payables of \1,677million (116.5%), making net interest income of \470 million (163.2%).

4. Other operating income

Helped by an increase in revenue from consignment sales, there was \7,979 million income (135.2%) from operations other than securities-related business.

5. Selling, general and administrative expenses

Selling, general and administrative expenses rose to \52,474 million (111.9%). Although property-related costs decreased as the renovation of the branches was completed, dealing costs went up as a result of invigorated trading activities, and moreover, variable personnel costs such as canvassers' compensation increased.

6. Dividends

It is our policy to pay dividends in consideration to our performance, while maintaining steady annual payouts. For fiscal 2005 we propose a \25 dividend per share to shareholders in return for their support shown to us.

Ⅱ. Financial review

1. Cash flows

Fiscal 2005 saw a major net increase in two items. One was the outstanding asset balance of securities loans, and the other was the outstanding balance of assets of margin trading. On the other hand, net profits before tax increased to \33,877 million (+202.2% y-o-y). Overall, cash and cash equivalents ("Funds") increased by \3,327 million, registering \36,083 million at the year-end.

<Cash flows from operating activities>

The Funds flowing out from operating activities amounted to \25,557 million (+76.2%). Gains of net profits before tax adjustment were offset by large net increases in assets in relation to securities loans and margin trading.

<Cash flows from investment activities>

There was a \3,324 million y-o-y decline in the Funds (\2,108 million inflow last year). This was largely due to the purchase of investment securities.

<Cash flows from financial activities>

The Funds generated from financial activities were \31,966 million (+118.6%), reflecting a net increase in short-term debt and capital issued.

2. Financing

Looking forward, securities markets will continue to grow and competition will become fiercer. Deregulation opened the gate, allowing banks and different types of institutions to enter the securities business, and rising specialist internet operators will gain ground. With this backdrop, we have defined a new strategic framework for further growth. According to this new Medium-Term Management Plan, to be implemented in April this year, we intend to achieve sustainable growth by not only developing our core strength, but also by actively seeking opportunities and creating new business. In March 2006, as the first step to building up the financial resources for the various operations in the future, we raised \11,366 million in funds via public offering and other methods. As a result of a capital increase, share capital increased to \18,590 million, and reserves to \12,767 million. The number of shares outstanding is 208 million.

Consolidated Balance Sheets

Okasan Holdings, Inc. and Consolidated Subsidiaries At March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (note 3)
	2006	2005	2006
ASSETS			
Current assets:			
Cash on hand and in banks (notes 11 and 20)	¥ 42,269	¥ 37,555	$ 359,828
Cash segregated as deposits for customers and others	39,029	27,477	332,247
Trading assets (notes 4 and 11)	181,891	154,910	1,548,404
Receivables on margin transactions (note 5)	150,258	104,403	1,279,118
Receivables on collateralized securities transactions (note 6)	193,964	139,836	1,651,179
Short-term investments (note 7)	5,702	1,329	48,540
Deferred income taxes (note 12)	2,068	797	17,604
Other current assets	9,838	5,524	83,749
Allowance for doubtful accounts	(90)	(145)	(766)
Total current assets	624,929	471,686	5,319,903
Property and equipment, net of accumulated depreciation of \9,072 million ($77,228 thousand) in 2006 and \8,740 million in 2005 (notes 9 and 11)	14,156	14,783	120,507
Intangible assets, net (note 11)	2,320	1,686	19,750
Investments and other assets:			
Investment securities (notes 7, 8 and 11)	43,124	31,885	367,106
Long-term guarantee deposits	3,047	3,066	25,939
Deferred income taxes (note 12)	4,354	5,067	37,065
Other	3,775	4,087	32,136
Allowance for doubtful accounts	(2,631)	(2,658)	(22,397)
Total investments and other assets	51,669	41,447	439,849
TOTAL	¥ 693,074	¥ 529,602	$ 5,900,009

See accompanying notes to consolidated financial statements.

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S.dollars (note 3) 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trading liabilities (note 4)	¥ 166,028	¥ 120,471	$ 1,413,365
Payables arising from unsettled trades	976	3,101	8,309
Payables on margin transactions (notes 5 and 11)	66,111	48,500	562,790
Payables on collateralized securities transactions (note 6)	101,298	98,119	862,331
Deposits received	26,064	19,430	221,878
Guarantee deposits received	26,527	14,278	225,819
Short-term borrowings (notes 10 and 11)	119,305	86,426	1,015,621
Income tax payables (note 12)	12,739	2,482	108,445
Other current liabilities (note 12)	7,678	3,745	65,361
Total current liabilities	526,726	396,552	4,483,919
Non-current liabilities:			
Long-term borrowings (notes 10 and 11)	13,969	23,011	118,915
Deferred income taxes (note 12)	8,984	3,016	76,479
Retirement and severance benefits (note 13)	6,331	8,411	53,895
Other non-current liabilities	3,280	2,532	27,922
Total non-current liabilities	32,564	36,970	277,211
Reserve for securities transactions (note 14)	990	671	8,428
Total liabilities	560,280	434,193	4,769,558
Minority interests	22,134	19,187	188,423
Shareholders' equity (notes 15 and 17)			
Common stock Authorized—750,000,000 shares in 2006 and 500,000,000 shares in 2005 Issued—208,214,969 shares in 2006 and 197,864,969 shares in 2005	18,590	12,897	158,253
Capital surplus	12,767	7,093	108,683
Retained earnings	67,287	52,504	572,802
Surplus on land revaluation (note 16)	231	196	1,967
Unrealized gain on other securities (note 7)	12,377	4,230	105,363
Foreign currency translation adjustments	168	(54)	1,430
Treasury stock, at cost, 2,039,611 shares in 2006 and 1,887,479 shares in 2005	(760)	(644)	(6,470)
Total shareholders' equity	110,660	76,222	942,028
Commitments and contingencies (note 21)			
TOTAL	¥ 693,074	¥ 529,602	$ 5,900,009

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (note 3)
	2006	2005	2006
Operating revenues:			
Commissions	¥ 52,686	¥ 37,942	$ 448,506
Net gain on trading	26,087	12,868	222,073
Interest and dividend income	2,147	1,727	18,277
Service fee and other revenues	7,979	5,901	67,924
	88,899	58,438	756,780
Interest expense	1,677	1,439	14,276
Net operating revenues	87,222	56,999	742,504
Selling, general and administrative expenses (note18)	52,474	46,908	446,701
Operating income	34,748	10,091	295,803
Other income (expenses):			
Dividend income	399	445	3,397
Amortization of consolidation difference	86	402	732
Interest expense	(258)	(295)	(2,196)
Gain (loss) on sale of investment securities	(210)	573	(1,788)
Loss on sale of fixed assets	(142)	(131)	(1,209)
Loss on impairment of long-lived assets (note 9)	(574)	—	(4,886)
Provision for reserve for securities transactions	(320)	(271)	(2,724)
Equity in income of an affiliated company	209	320	1,779
Contribution to securities market infrastructure improvement fund	(240)	—	(2,043)
Other, net	179	75	1,524
	(871)	1,118	(7,414)
Income before income taxes and minority interests	33,877	11,209	288,389
Income taxes (note 12):			
Current	14,645	4,170	124,670
Deferred	(870)	106	(7,406)
	13,775	4,276	117,264
Minority interests	(2,203)	(1,359)	(18,754)
Net income	\ 17,899	\ 5,574	$ 152,371

	yen		U.S.dollars (note 3)
	2006	2005	2006
Per share (notes 2.p and 19):			
Basic net income	\ 89.07	\ 27.36	$ 0.76
Cash dividends applicable to the year	25.00	15.00	0.21

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (note 3)
	2006	2005	2006
Capital surplus			
Balance at beginning of year	¥ 7,093	¥ 7,093	$ 60,381
New share issuance through public offering	4,934	—	42,002
New share issuance through private placement	740	—	6,300
Balance at end of year	¥ 12,767	¥ 7,093	$ 108,683
Retained earnings			
Balance at beginning of year	¥ 52,504	¥ 50,059	$ 446,957
Net income	17,899	5,574	152,371
Cash dividends	(2,884)	(2,801)	(24,551)
Bonuses to directors	(198)	(261)	(1,686)
Decrease arising from realization of surplus on land revaluation	(34)	(67)	(289)
Balance at end of year	¥ 67,287	¥ 52,504	$ 572,802

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (note 3)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 33,877	¥ 11,209	$ 288,389
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	881	789	7,500
Interest and dividend income	(2,597)	(2,237)	(22,108)
Interest expense	1,935	1,735	16,472
Loss on sale of fixed assets	139	119	1,183
Loss on impairment of long-lived assets	574	—	4,886
Loss (gain) on sale of investment securities	211	(573)	1,796
Decrease (increase) in deposits segregated for customer	(11,620)	2,460	(98,919)
Decrease in trading assets and increase in trading liabilities	16,451	6,487	140,044
Increase in receivables on margin transactions and decrease in payables on margin transactions	(28,243)	(14,628)	(240,427)
Increase in receivables on collateralized securities transactions and decrease in payables on collateralized securities transactions	(50,949)	(17,480)	(433,719)
Increase (decrease) in deposits received	6,471	(730)	55,086
Decrease in short-term guarantee deposits and increase in guarantee deposits received	10,491	583	89,308
Increase (decrease) in accrued bonuses	758	(212)	6,453
Increase (decrease) in retirement and severance benefits	(1,038)	125	(8,836)
Other, net	2,020	2,922	17,196
Sub-total	(20,639)	(9,431)	(175,696)
Interest and dividend received	2,370	2,035	20,175
Interest paid	(1,948)	(1,716)	(16,583)
Income taxes paid	(5,340)	(5,393)	(45,458)
Net cash used in operating activities	(25,557)	(14,505)	(217,562)
Cash flows from investing activities:			
Payment for purchase of property and equipment	(636)	(1,174)	(5,414)
Proceeds from sale of property and equipment	69	111	587
Proceeds from sale of software	—	1,000	—
Payment for investment securities	(1,406)	(1,743)	(11,969)
Proceeds from sale of investment securities	187	5,455	1,592
Payment for investments in affiliates	(81)	(474)	(690)
Other, net	(1,457)	(1,067)	(12,403)
Net cash provided by (used in) investing activities	(3,324)	2,108	(28,297)
Cash flows from financing activities:			
Increase in short-term borrowings	25,817	10,782	219,775
Proceeds from long-term borrowings	1,950	10,550	16,600
Payments on long-term borrowings	(4,028)	(3,657)	(34,290)
Proceeds from issuance of common stock	11,289	—	96,101
Purchase of treasury stock	(110)	(86)	(936)
Dividends paid to shareholders	(2,883)	(2,801)	(24,542)
Dividends paid to minority shareholders of subsidiaries	(69)	(163)	(587)
Net cash provided by financing activities	31,966	14,625	272,121
Effect of exchange rate changes on cash and cash equivalents	242	44	2,060
Net increase in cash and cash equivalents	3,327	2,272	28,322
Cash and cash equivalents, beginning of year	32,756	30,484	278,846
Cash and cash equivalents, end of year (note 20)	¥ 36,083	¥ 32,756	$ 307,168

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of Okasan Holdings, Inc. (the "Company"), a Japanese corporation, and its subsidiaries.

Okasan Holdings, Inc. changed its name from Okasan Securities Co., Ltd. and transformed into a holding company on October 1, 2003, and the Company transferred its securities business to Okasan Securities Spin-Off Preparation Co., Ltd., wholly owned subsidiary of the Company, in accordance with the approval regarding the transfer at the general meeting of shareholders held on June 28, 2003. This company changed its corporate name to (new) Okasan Securities Co., Ltd. on the same date.

The Company and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiary in conformity with those of the country of its domicile.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan and applicable to Japanese securities companies.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements for the year ended March 31, 2006 include the accounts of the Company and its 13 subsidiaries (12 subsidiaries in 2005). One company (one company in 2005) is accounted for by the equity method.

The "Accounting Standards for Consolidation" require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the Company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the Company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method. Investments in affiliates are accounted for by the equity method. The excess costs over underlying net assets at the dates of investment in subsidiaries or affiliates are being fully amortized in the year of investments.

All significant intercompany balances and transactions have been eliminated in consolidation.

b. Cash and cash equivalents — For the purposes of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

c. ***Trading assets and liabilities*** — Trading assets and liabilities, including securities and financial derivatives for trading purposes are recorded on a trade date basis at fair value. Revenues and expenses related to trading securities transactions are recorded on a trade date basis. Changes in the fair values are reflected in "net gain on trading" in the accompanying consolidated statements of operations. Gains and losses arose from derivatives held or issued for trading purposes are also reported as "net gain on trading" in the accompanying consolidated statements of operations, which includes realized gains and losses as well as changes in the fair values of such instruments. Securities owned for non-trading purpose, shown in the accompanying consolidated balance sheets as "Short-term investments" and "Investment securities" are discussed below.

d. ***Securities*** — The Company examines the intent of holding securities for non-trading purpose, and classifies those securities as (a) debt securities intended to be held to maturity ("held-to-maturity securities"), (b) equity securities issued by an affiliated company and (c) all other securities not classified in any of the above categories ("available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with market value are stated at market, based on quoted market prices. Realized gains and losses on sale of such securities are computed using the gross-average cost. Unrealized gains or losses on such securities, net of related taxes, are recorded in a separate component of the shareholders' equity. Debt securities classified as "available-for-sale securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "available-for-sale securities" for which market value is not available are stated at the gross-average cost.

e. ***Hedging transaction*** — The Company states derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes. Valuation gains or losses on hedging instruments are mainly deferred as assets or liabilities until the gains or losses on underlying hedged instruments are realized. The Company and certain subsidiaries have entered into interest rate swap agreements for hedging interest rate exposures. The difference in amounts to be paid or received on interest rate swap agreements is recognized over the life of the agreement as an adjustment to interest expense.

f. ***Collateralized securities transactions*** — Collateralized securities transactions consist of securities borrowed and loaned transactions and Gensaki transactions. Securities borrowed transactions generally require the Company to provide the counterparty with collateral in the form of cash. And securities loaned transactions, the Company generally receives collateral in the form of cash. The Company monitors the market value of the securities borrowed or loaned and requires additional cash, as necessary, to ensure that such transactions are adequately collateralized. Under the "Uniform Accounting Standards of Securities Companies", securities borrowed and loaned transactions are accounted for as financing transactions. Securities borrowed or loaned that are cash collateralized are recorded at the amount of cash collateral advanced or received. Gensaki transactions originate in the Japanese financial markets, and involve the selling ("Sell Gensaki")/purchasing ("Buy Gensaki") of commercial paper, certificates of deposit, Japanese government bonds and various other debt securities to/from an institution wishing to make a short-term investment, with the Company agreeing to repurchase/resell them from/to the institution on a specified date at a specified price. Under the "Accounting Standards for Financial Instruments", Gensaki transactions are accounted for as financing transactions. Gensaki transactions are carried at their contractual amounts.

g. ***Allowance for doubtful accounts*** — Allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries are provided on the estimated historical deterioration rate for normal accounts, and based on specifically assessed amounts for doubtful accounts. An overseas consolidated subsidiary provides specifically assessed amount for doubtful accounts.

h. ***Property and equipment*** — Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings purchased in Japan after April 1, 1998. And in an overseas subsidiary, depreciation is computed by the straight-line method. The range of useful lives is principally from 3 to 47 years for buildings and from 3 to 20 years for equipment.

i. ***Intangible assets*** — Intangible assets are carried at cost less amortization. Software for internal use is amortized under straight-line method based on internally estimated useful life (5 years). Amortization of other intangible assets is calculated by the straight-line method at rates based on the estimated useful lives of respective assets.

j. ***Impairment of Long-lived Assets*** — Effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets ("Opinion Concerning the Establishment of an Accounting Standard for the Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the "Implementation Guidance on the Accounting Standard for the Impairment of Fixed Assets" (Business Accounting Standard Implementation Guidance No. 6 issued on October 31, 2003).
The standard requires that an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
The effect of adoption of the standard was to decrease income before income taxes and minority interests by \574 million ($4,886 thousand) for the year ended March 31, 2006.

k. ***Retirement and severance benefits*** — The Company and its domestic consolidated subsidiaries have contributory and noncontributory pension plans, and unfunded retirement and severance plans to provide retirement and severance benefits to substantially all employees.
Under the "Accounting Standards for Retirement Benefits", provisions for defined benefit retirement and pension plans have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under contributory and noncontributory pension plans.

l. ***Lease*** — Finance leases, except for those where the legal title of the underlying property is transferred from the lessor to lessee at the end of the lease term, are accounted for similarly to operating leases.

m. ***Income Taxes*** — Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.
The "Accounting Standards for Income Taxes" require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included on the financial statements or tax return. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary difference are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.
The Company has filed consolidated tax returns in Japan.

n. ***Appropriations of Retained Earnings***— Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

o. ***Foreign Currency Transactions***— Under the "Accounting Standards for Foreign Currency Transactions", receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities, and revenues and expenses of overseas subsidiary are translated into yen at the rate of exchange as of the balance sheet dates, a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" in a component of shareholders' equity.

p. ***Per Share Information***— Basic net income per share is based on the weighted-average number of shares of common stock outstanding during the respective years.
Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. ***Reclassifications***— Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used in consolidated statements as of and for the year ended March 31, 2006.

3. BASIS OF FINANCIAL STATEMENT TRANSLATION

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2006, which was \117.47 to U.S. $1.
The convenience translations should not be construed as representations that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

4. TRADING ASSETS AND LIABILITIES

Trading assets and trading liabilities at March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Trading assets:			
Equity securities and warrants	\ 2,587	\ 1,496	$ 22,023
Government, corporate and other bonds	169,302	132,405	1,441,236
Commercial paper and certificates of deposit	9,999	20,997	85,120
Beneficiary certificates	3	1	25
Derivatives	—	11	—
	\ 181,891	\ 154,910	$ 1,548,404

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Trading liabilities:			
Equity securities and warrants	\ 237	\ 100	$ 2,017
Government, corporate and other bonds	165,791	119,859	1,411,348
Commercial paper and certificates of deposit	—	500	—
Derivatives	—	12	—
	\ 166,028	\ 120,471	$ 1,413,365

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Assets:			
Loans receivable from customers	\ 149,264	\ 86,661	$ 1,270,656
Cash deposits as collateral for securities borrowed from securities finance companies	994	17,742	8,462
	\ 150,258	\ 104,403	$ 1,279,118
Liabilities:			
Borrowings from securities finance companies	\ 61,974	\ 25,938	$ 527,573
Proceeds from securities sold for customers' accounts	4,137	22,562	35,217
	\ 66,111	\ 48,500	$ 562,790

Loans receivable from customers are stated at amounts equal to the purchase price of the relevant securities, which are collateralized by customers' securities and customers' deposits in the form of cash or securities. Proceeds from securities sold for customers' accounts are stated at the sales prices of the relevant securities on the respective transaction dates.

6. COLLATERALIZED SECURITIES TRANSACTIONS

Collateralized securities transactions at March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Assets:			
Securities borrowed transactions	\ 193,964	\ 139,836	$ 1,651,179
Liabilities:			
Securities loaned transactions	\ 91,299	\ 81,620	$ 777,211
Sell Gensaki transactions	9,999	16,499	85,120
	\ 101,298	\ 98,119	$ 862,331

7. SECURITIES FOR NON-TRADING PURPOSES

Acquisition cost, balance sheet amount, gross unrealized gain and gross unrealized loss of available-for-sale securities with fair value at March 31, 2006 and 2005 is summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2006				
Current:				
Government, corporate and other bonds	\ 5,578	\ 11	\ —	\ 5,589
Beneficiary certificates and other	102	11	—	113
	\ 5,680	\ 22	\ —	\ 5,702
Non-current				
Equity securities	\ 12,580	\ 23,821	\ (3)	\ 36,398
Government, corporate and other bonds	2,326	—	(17)	2,309
Beneficiary certificates and other	36	6	—	42
	\ 14,942	\ 23,827	\ (20)	\ 38,749
March 31, 2005				
Current:				
Government, corporate and other bonds	\ 1,179	\ 2	\ —	\ 1,181
Beneficiary certificates and other	150	—	(2)	148
	\ 1,329	\ 2	\ (2)	\ 1,329
Non-current				
Equity securities	\ 12,039	\ 8,487	\ (136)	\ 20,390
Government, corporate and other bonds	6,817	39	—	6,856
Beneficiary certificates and other	36	—	(1)	35
	\ 18,892	\ 8,526	\ (137)	\ 27,281

	Thousands of U.S.dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2006				
Current:				
Government, corporate and other bonds	$ 47,484	$ 94	$ —	$ 47,578
Beneficiary certificates and other	868	94	—	962
	$ 48,352	$ 188	$ —	$ 48,540
Non-current				
Equity securities	$ 107,091	$ 202,784	$ (26)	$ 309,849
Government, corporate and other bonds	19,801	—	(145)	19,656
Beneficiary certificates and other	307	51	—	358
	$ 127,199	$ 202,835	$ (171)	$ 329,863

Securities classified as available-for-sale securities for which fair value is not available are mainly unlisted equity securities amounting to \2,858 million ($24,330 thousand) and \3,445 million as of March 31, 2006 and 2005, respectively.

Projected future redemption of available-for-sale securities with maturities at March 31, 2006 are summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities	\ 4,264	\ 1,100	\ —	\ —
Corporate bond securities	824	713	—	—
Other debt securities	501	497	—	—
Beneficiary certificates and other	—	123	15	—
Total	\ 5,589	\ 2,433	\ 15	\ —

	Thousands of U.S.dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities	$ 36,299	$ 9,364	$ —	$ —
Corporate bond securities	7,014	6,070	—	—
Other debt securities	4,265	4,231	—	—
Beneficiary certificates and other	—	1,047	128	—
Total	$ 47,578	$ 20,712	$ 128	$ —

For the years ended March 31, 2006 and 2005, proceeds from sales of other securities are \187 million ($1,592 thousand) and \5,455 million, the gross realized gains are \9 million ($77 thousand) and \591 million, and the gross realized losses are \219 million ($1,864 thousand) and \17 million, respectively.

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2006 and 2005 are \1,121 million ($9,543 thousand) and \879 million, respectively.

9. IMPAIRMENT OF LONG-LIVED ASSETS

The Company recorded a loss on impairment on the following assets in the year ended March 31, 2006.

Location	Usage	Description	Millions of yen	Thousands of U.S. dollars
Toba-city, Mie Prefecture	Idle assets	Land	\ 499	$ 4,248
and 4 other locations		Buildings and others	75	638

For the companies that own real estate for lease, the Company groups the long-lived assets by individual real estate, and for other companies, the Company groups the long-lived assets by operation branch or business group. The Company has recognized a loss on impairment on idle assets due to a significant decline in their market value by reducing their book value to the respective net realizable value of each asset. Such loss amounted to \574 million ($4,886 thousand) was charged to income for the year ended March 31, 2006. The net realizable value of the idle assets is mainly based on their appraisal value.

10. BORROWINGS

The weighted-average interest rates applicable to the short-term borrowings are 0.90% and 0.99% at March 31, 2006 and 2005, respectively.

Long-term borrowings at March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Borrowings, maturing in installments through 2014; bearing weighted average interest of 2.73% and 2.82% at March 31, 2006 and 2005, respectively	\ 24,626	\ 26,704	$ 209,636
Less current installments	10,657	3,693	90,721
	\ 13,969	\ 23,011	$ 118,915

(1) Current installments of long-term borrowings are included in short-term borrowings in the accompanying balance sheets.

(2) Long-term borrowings included subordinated borrowings provided in Article 2 of the "Cabinet Office Ordinance on the Capital Adequacy Rule for Securities Companies" (the Prime Minister's Office Ordinance No. 23, 2001) as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Current installments of long-term borrowings	\ 5,500	\ 2,000	$ 46,820
Long-term borrowings	8,000	12,500	68,102

Annual maturities of long-term borrowings at March 31, 2006, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2008	\ 7,497	$ 63,821
2009	4,333	36,886
2010	1,705	14,514
2011	332	2,826

At March 31, 2006, the Company had unused committed lines of credit amounting to \25,000 million ($212,820 thousand) with 10 financial institutions whom the Company has committed line contracts to finance efficiently.

As is customary in Japan, both short-term and long-term bank borrowings are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due the bank.

11. PLEDGED ASSETS

At March 31, 2006 and 2005, the carrying value of assets pledged is as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Cash in banks	\ 4,200	\ 3,923	$ 35,754
Trading assets	2,566	13,498	21,844
Property and equipment	8,963	9,118	76,300
Intangible assets	283	402	2,409
Investment securities	27,357	18,641	232,885
	\ 43,369	\ 45,582	$ 369,192

Assets in the above table are pledged for the following liabilities:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Short-term borrowings	\ 38,278	\ 28,924	$ 325,853
Borrowings from securities finance companies	3,940	1,807	33,541
Long-term borrowings	5,969	10,426	50,813
	\ 48,187	\ 41,157	$ 410,207

In addition to above, trading assets amounting to \49,558 million ($421,878 thousand) and \23,704 million are deposited as guarantee for settlement of trading accounts at March 31, 2006 and 2005, respectively.

The fair value of the securities pledged as collateral at March 31, 2006 and 2005, except for those disclosed in the above table, are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Securities loaned on margin transactions	\ 4,610	\ 23,267	$ 39,244
Securities pledged for borrowings on margin transactions	63,879	28,961	543,790
Securities loaned	93,592	84,559	796,731
Securities sold on Gensaki transactions	9,999	16,498	85,120
Other	83,550	44,977	711,245
	\ 255,630	\ 198,262	$ 2,176,130

The fair value of the securities received as collateral at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Securities received on margin transactions	\ 143,841	\ 82,946	$ 1,224,491
Securities borrowed	198,236	142,532	1,687,546
Securities pledged as collateral	105,794	96,108	900,604
Other	4,085	20,341	34,775
	\ 451,956	\ 341,927	$ 3,847,416

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% in 2006 and 2005.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Deferred tax assets:			
Retirement and severance benefits	\ 2,564	\ 3,298	$ 21,827
Accrued business tax	972	210	8,275
Tax loss carryforwards	929	1,283	7,908
Allowance for doubtful accounts	891	959	7,585
Accrued bonuses	782	476	6,657
Impairment loss	420	—	3,575
Reserve for securities transactions	401	272	3,414
Loss on devaluation of investment securities	377	379	3,209
Depreciation and amortization	216	228	1,839
Unrealized loss on other securities	7	49	60
Other	1,044	523	8,887
	8,603	7,677	73,236
Valuation allowance	(143)	(236)	(1,217)
Total	8,460	7,441	72,019
Deferred tax liabilities:			
Unrealized gain on other securities	(9,687)	(3,454)	(82,464)
Land revaluation excess	(1,268)	(1,079)	(10,794)
Other	(72)	(69)	(613)
Total	(11,027)	(4,602)	(93,871)
Net deferred tax assets (liabilities)	\ (2,567)	\ 2,839	$ (21,852)

Net deferred tax assets as of March 31, 2006 and 2005 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Current assets - Deferred income taxes	\ 2,068	\ 797	$ 17,604
Investments and other assets - Deferred income taxes	4,354	5,067	37,065
Current liabilities - Other current liabilities	(5)	(9)	(42)
Non-current - Deferred income taxes	(8,984)	(3,016)	(76,479)
	\ (2,567)	\ 2,839	$ (21,852)

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2005 is follows:

	2005
Statutory tax rate	40.5%
Expenses not deductible for tax purposes	1.5
Per capita tax	0.7
Income not credited for tax purposes	(0.1)
Other	(4.4)
Effective tax rate	38.2%

The reconciliation for the year ended March 31, 2006 is not subject to disclosure as the difference between the rates is less than 5%.

13. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined benefit retirement and pension plans, which consist of unfunded retirement and severance plan that provide for lump-sum payment of benefits, tax qualified noncontributory pension plan and pension plan provided under the Welfare Pension Insurance Law of Japan. The welfare pension plan consisted of two tiers, the substitution portion, in lieu of the government's social insurance program, collected contributions, funded them and paid benefits to the employees with respect to the pay-related portion of the old-age pension benefits prescribed by the Welfare Pension Insurance Law of Japan, and the corporate portion which was established at the discretion of the Japan Securities Dealers Employees Pension Fund as an industry-wide multi-employer noncontributory plan. The plan assets of the welfare pension fund cannot be specifically allocated to the individual participants nor to the substitution and corporate portions.
On March 25, 2005, the Japan Securities Dealers Employees Pension Fund obtained the approval for its liquidation from the Minister of Health, Labour and Welfare. The plan assets amount at March 31, 2005 cannot be estimated because the fund is under liquidation.

In April 2005, the Company introduced a defined contribution retirement and pension plan. Certain domestic subsidiaries converted a certain portion of their unfunded retirement and severance plans into the defined contribution retirement and pension plan.
With respect to this transfer, the Company adopted "Accounting for Transfers among Retirement Benefit Plans" (Financial Accounting Standard Implementation Guidance No. 1). The effect of the transfer is as follows:

	Millions of yen	Thousands of U.S.dollars
Decrease in projected benefit obligations	\ (1,680)	$ (14,301)
Decrease in unrecognized actuarial gain	(114)	(970)
Decrease in unrecognized prior service cost	338	2,877
Decrease in retirement and severance benefits	(1,456)	(12,394)
Assets transfer to the plan	1,418	12,071
Gain on transfer to the defined contribution plan	(38)	(323)

Assets will be transferred to the plan over 4 years, and as at March 31, 2006, the not transferred amount is \1,042 million ($8,870 thousand) which is included in other current liabilities and other non-current liabilities in the accompanying consolidated balance sheets, gain on transfer to the plan is recorded in the accompanying consolidated statement of operations for the year ended March 31, 2006.

The funded status of retirement and pension plans at March 31, 2006 and 2005 consist of the followings:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Projected benefit obligations	\ (11,475)	\ (12,851)	$ (97,685)
Fair value of plan assets	6,485	5,007	55,206
Unrecognized actuarial gain	(1,341)	(567)	(11,416)
Amount recognized in the consolidated balance sheets	\ (6,311)	\ (8,411)	$ (53,895)

The components of net periodic benefit cost for the years ended March 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Service cost	\ 513	\ 785	$ 4,367
Interest cost	232	256	1,975
Expected return on plan assets	(23)	(24)	(196)
Recognized actuarial loss	(95)	(18)	(808)
	627	999	5,338
Gain on transfer to the defined contribution plan	(38)	—	(323)
Contributions to the defined contribution plan	153	—	1,302
	\ 742	\ 999	$ 6,317

Contributions to the welfare pension fund are \230 million for the year ended March 31, 2005 and the amount is included in "Service cost" in the above table.

Assumptions used for the years ended March 31, 2006 and 2005 are set forth as follows:

	2006	2005
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	2.1%	2.1%
Expected rate of return on plan assets	0.5%	0.5%
Recognition period of actuarial gain / loss	5 years	5 years

14. RESERVE FOR SECURITIES TRANSACTIONS

The Securities and Exchange Law of Japan requires a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions.

15. SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

The Code provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until an aggregated amount of such reserve and additional paid-in capital equal 25% of common stock. Either additional paid-in capital or the legal reserve may be available for dividends by resolution of the shareholders to the extent that the amount of total additional paid-in capital and legal reserve exceeds 25% of stated common stock. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Code.

In accordance with the Code, proposed appropriations of retained earnings have not been reflected in the financial statements at the end of each fiscal year.

16. SURPLUS ON LAND REVALUATION

At March 31, 2002, a consolidated subsidiary revaluated its own land for business activities in accordance with the "Law Concerning Land Revaluation" (the "Law") effective March 31, 1998. The net unrealized gain, net of related taxes and minority interests, are reported as "Surplus on land revaluation" in a component of shareholders' equity and the related deferred tax liabilities are included in the deferred income taxes of the non-current liabilities.

Fair values of the land are determined based on the values specified in Article 2-1, 2-3 and 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation.

The difference between the book value after revaluation and the fair value as of March 31, 2006 is \462 million ($3,933 thousand).

17. CAPITAL ADEQUACY REQUIREMENTS

In Japan, securities companies are subjected to risk-based capital adequacy rules established and administered by the Financial Services Agency. Securities subsidiaries report their capital adequacy ratio as defined pursuant to these rules. The authorities will take certain administrative measures if such ratio declines below 140%. Capital adequacy ratios of Okasan Securities Co., Ltd. are 332.6% and 294.5% as at March 31, 2006 and 2005, respectively.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen				Thousands of U.S.dollars	
	2006		2005		2006	
Commissions and brokerage	\	8,608	\	7,608	$	73,278
Employees' compensation and benefits		30,730		26,339		261,599
Occupancy and rental		5,423		5,931		46,165
Data processing and office supplies		4,107		4,163		34,962
Depreciation and amortization		881		789		7,500
Taxes other than income taxes		678		578		5,772
Reserve for doubtful accounts		5		49		42
Other		2,042		1,451		17,383
	\	52,474	\	46,908	$	446,701

19. NET INCOME PER SHARE INFORMATION

Reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2006		2005		2006	
Net income	¥	17,899	¥	5,574	$	152,371
Net income not applicable to common shareholders:						
Directors' bonuses		(374)		(209)		(3,184)
Net income applicable to common shareholders		17,525		5,365		149,187

	Number of shares (Thousand)	
	2006	2005
Weighted average number of shares on which basic net income per share is calculated	196,759	196,056

20. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation between "Cash on hand and in banks" in the accompanying consolidated balance sheets and "Cash and cash equivalents" in the accompanying consolidated statements of cash flows as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Cash on hand and in banks	\ 42,269	\ 37,555	$ 359,828
Time deposits that have maturities of over three months when acquired	(6,386)	(4,799)	(54,363)
Short-term investments with maturities of three months or less when acquired	200	—	1,703
	36,083	32,756	307,168

21. COMMITMENTS AND CONTINGENCIES

At March 31, 2006 and 2005, the Company and certain subsidiaries have guaranteed approximately \348 million ($2,962 thousand) and \385 million of employee mortgage loans to financial institutions, respectively. If an employee defaults on his/her loan payments, the Company and/or certain subsidiaries are required to perform under the guarantee.

22. LEASES

Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized at March 31, 2006 and 2005 are as follows:

	Millions of yen					
	2006			2005		
	Furniture and Fixtures	Others	Total	Furniture and Fixtures	Others	Total
Acquisition cost	\ 2,708	\ 1,960	\ 4,668	\ 2,749	\ 1,766	\ 4,515
Accumulated depreciation	1,403	922	2,325	1,664	791	2,455
	\ 1,305	\ 1,038	\ 2,343	\ 1,085	\ 975	\ 2,060

	Thousands of U.S. dollars		
	2006		
	Furniture and Fixtures	Others	Total
Acquisition cost	$ 23,053	$ 16,685	$ 39,738
Accumulated depreciation	11,944	7,848	19,792
	$ 11,109	$ 8,837	$ 19,946

Future minimum payments required under finance leases at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Due within one year	¥ 708	¥ 786	$ 6,027
Due after one year	1,695	1,332	14,429
	¥ 2,403	¥ 2,118	$ 20,456

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Lease payments	\ 857	\ 1,106	$ 7,295
Depreciation expense	801	1,048	6,819
Interest expense equivalents	51	57	434

Depreciation equivalents and interest expense equivalents are computed by the straight-line method and the interest method, respectively.

23. DERIVATIVES

Derivatives utilized for trading purposes

In the normal course of business, the Company enters into derivative financial instruments to meet customer needs and reduce its own exposure to loss due to adverse fluctuations in market prices of securities, interest rates, foreign currency exchange rates or other market factors. These financial instruments include financial derivatives listed on exchange such as stock index futures and bond futures, and options in these futures instruments, as well as over-the-counter financial derivatives such as forward foreign exchange transactions.

Such derivative financial instruments involve market and credit risk arising from future changes in the market values of securities, interest rates, foreign currency exchange rates, and default by the counterparty.

The Company seeks to minimize its exposure to risk arising from its use of these derivative financial instruments by strengthening risk management system in order to secure sound management and efficient use of management resources. Market risk is controlled principally through position limits, and credit risk is controlled principally through credit limits based on the counterparty's credit rating. Trading department and risk control department monitor the profit and changes in position, and assess the risks, on daily basis. The trading position is regularly reviewed by the directors in charge and reported to the management meeting.

The contract or notional amounts disclosed below do not represent straightforwardly the extent of market risk or credit risk of the derivatives.

The contract or notional amounts and fair value of derivative financial instruments for trading purposes held as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2006			
Bond futures:			
Written	\ 2,002	\ 2,002	\ —
Purchased	4,538	4,538	—
Forward foreign exchange:			
Written:			
U.S. dollar	249	256	(7)
Euro	504	533	(29)
Other	680	678	2
Purchased:			
U.S. dollar	221	228	7
Euro	504	533	29
Other	685	705	20
March 31, 2005			
Over the counter stock options:			
Written	\ 18	\ 11	\ 7
Purchased	14	11	(3)
Bond futures:			
Written	1,812	1,812	—
Purchased	2,788	2,788	—
Forward foreign exchange:			
Written:			
U.S. dollar	565	567	(2)
Swiss Franc	1,668	1,784	(116)
Other	1,219	1,206	13
Purchased:			
U.S. dollar	399	400	1
Swiss Franc	1,668	1,784	116
Other	889	898	9

	Millions of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2006			
Bond futures:			
Written	$ 17,043	$ 17,043	$ —
Purchased	38,631	38,631	—
Forward foreign exchange:			
Written:			
U.S. dollar	2,119	2,179	(60)
Euro	4,290	4,537	(247)
Other	5,789	5,772	17
Purchased:			
U.S. dollar	1,881	1,941	60
Euro	4,290	4,537	247
Other	5,831	6,001	170

The fair value of stock index futures, bond futures and forward foreign exchange is computed using prices on the market, and the fair value of over the counter stock options and interest options is estimated based on the fair value of underlying securities, volatility and interest rate.

Derivatives utilized for non-trading purposes

The Company enters into interest rate swaps for the purposes of managing interest rate risk exposures. Interest rate swaps involve market risk arising from future changes in the market values of interest rates, and the Company concludes the interest rate swaps only with the counterparties from which the Company is borrowed. The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense, if the agreements meet certain hedging criteria.
The Company also enters into commodity futures for the purpose of long-term fund management. Commodity futures involve market risk arising from future changes in the market values of commodities, and the Company has set limits on the positions.
The contract or notional amounts disclosed below do not represent straightforwardly the extent of market risk or credit risk of the derivatives.

The contract or notional amounts and fair value of interest rate swap contracts for non-trading purposes held as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2006			
Interest rate swaps:			
Variable rate received for fixed rate	\ 1,548	\ (19)	\ (19)
Commodity futures:			
Written	87	87	—
Purchased	77	78	1
March 31, 2005			
Interest rate swaps:			
Variable rate received for fixed rate	\ 1,795	\ (26)	\ (26)

	Millions of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2006			
Interest rate swaps:			
Variable rate received for fixed rate	$ 13,178	$ (162)	$ (162)
Commodity futures:			
Written	741	741	—
Purchased	655	664	9

The fair value of interest rate swaps is estimated based on quotes from counterparties, and the fair value of commodity futures is based on quoted market prices.

24. SEGMENT INFORMATION

(a) Industry segment information

The Company and its consolidated subsidiaries' primary business activities include (1) trading in securities and derivatives, (2) brokerage for trading in securities and derivatives, (3) underwriting and distribution of securities, (4) public offering and secondary distribution of securities and (5) private offering of securities. These activities include financing and other services. The Company and its consolidated subsidiaries operate predominantly in a single industry segment as investment and financial services.

(b) Geographic segment information

Both domestic sales and assets located in Japan are over 90% of those for all segments for the years ended March 31, 2006 and 2005.

(c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries, are less than 10% of consolidated sales for the years ended March 31, 2006 and 2005.

25. SUBSEQUENT EVENT

The proposed appropriation of retained earnings at March 31, 2006 of cash dividends of \25 ($0.21) per common share aggregating \5,189 million ($44,173 thousand) and bonuses to directors of \190 million ($1,617 thousand) was approved at the Company's general shareholders meeting held on June 29, 2006.

Toyo & Co.
Member Horwath International

Independent Auditors' Report

To the Board of Directors of
Okasan Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Okasan Holdings, Inc. and its consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, retained earnings and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okasan Holdings, Inc. and its consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2006 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 3 to the consolidated financial statements.

Toyo & Co.

June 29, 2006
Tokyo, Japan
Toyo & Co.

REFERENCE DATA

Non - Consolidated Balance Sheets

Okasan Securities Co. , Ltd. At March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 9,877	¥ 11,538	$ 84,081
Cash segregated as deposits for customers and others	32,757	22,257	278,854
Trading assets	180,230	153,638	1,534,264
Receivables on margin transactions	133,017	94,026	1,132,349
Receivables on collateralized securities transactions	193,963	139,836	1,651,171
Deferred income taxes	1,749	517	14,889
Other current assets	6,531	4,148	55,597
Allowance for doubtful accounts	(82)	(126)	(698)
Total current assets	558,042	425,834	4,750,507
Property and equipment, net of accumulated depreciation of \2,681 million ($22,823 thousand) in 2006 and \2,548 million in 2005	1,486	1,464	12,650
Intangible assets, net	178	185	1,515
Investments and other assets:			
Investment securities	150	150	1,277
Long-term guaranty deposits	2,987	3,011	25,428
Deferred income taxes	3,579	3,919	30,467
Other	2,242	2,256	19,086
Allowance for doubtful accounts	(1,739)	(1,703)	(14,804)
Total investments and other assets	7,219	7,633	61,454
TOTAL	¥ 566,925	¥ 435,116	$ 4,826,126

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S.dollars 2006
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Trading liabilities	¥ 165,919	¥ 120,396	$ 1,412,437
Payables arising from unsettled trades	744	2,923	6,334
Payables on margin transactions	59,551	45,971	506,946
Payables on collateralized securities transactions	101,298	98,119	862,331
Deposits received	19,953	14,366	169,856
Gurantee deposits received	24,099	13,096	205,150
Short-term borrowings	109,415	74,015	931,429
Income tax payables	3,344	239	28,467
Other current liabilities	14,344	4,605	122,108
Total current liabilities	498,667	373,730	4,245,058
Non-current liabilities:			
Long-term borrowings	8,000	13,500	68,102
Retirement and severance benefits	5,937	8,010	50,541
Other non-current liabilities	1,168	418	9,943
Total non-current liabilities	15,105	21,928	128,586
Reserve for securities transactions	730	435	6,215
Total liabilities	514,502	396,093	4,379,859
Shareholder's equity:			
Common stock			
Authorized—240,000 shares			
Issued—100,000 shares in 2006 and 2005	5,000	5,000	42,564
Capital surplus	29,200	29,200	248,574
Retained carnings	18,223	4,823	155,129
Total shareholder's equity	52,423	39,023	446,267
TOTAL	¥ 566,925	¥ 435,116	$ 4,826,126

Non – Consolidated Statements of Operations

Okasan Securities Co., Ltd. Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Operating revenues:			
Commissions	¥ 50,466	¥ 36,477	$ 429,608
Net gain on trading	23,738	11,270	202,077
Interest and dividend income	1,837	1,452	15,638
	76,041	49,199	647,323
Interest expense	1,452	1,209	12,361
Net operating revenues	74,589	47,990	634,962
Selling, general and administrative expenses	49,480	43,345	421,214
Operating income	25,109	4,645	213,748
Other income (expenses):			
Provision for reserve for securities transactions	(295)	(250)	(2,511)
Loss on sale of fixed assets	(91)	(80)	(775)
Contribution to securities market infrastructure improvement fund	(240)	—	(2,043)
Other, net	178	213	1,515
	(448)	(117)	(3,814)
Income before income taxes	24,661	4,528	209,934
Income taxes:			
Current	11,086	1,995	94,373
Deferred	(892)	31	(7,594)
	10,194	2,026	86,779
Net income	\ 14,467	\ 2,502	$ 123,155

CORPORATE DATA

(as of June 29, 2006)

Company Name
OKASAN HOLDINGS, INC.

Date of Establishment
August 25, 1944

Head Office
1-17-6 Nihonbashi, Chuo-ku, Tokyo 103-8278, Japan

Phone Number
+81-3-3272-2222

Paid-in Capital
18,589 Million yen

Subsidiaries and Affiliates
16 companies

Listed Stock Exchanges
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange

Major Shareholders
Japan Trustee Services Bank, Limited (Trust Account)
Nippon Life Insurance Company
The Sumitomo Trust and Banking Company, Limited
The Mitsubishi UFJ Trust and Banking Corporation
Daido Life Insurance Company
Meiji Yasuda Life Insurance Company
Tosei
The Master Trust Bank of Japan, limited(Trust Account)
Mizuho Corporate Bank, Limited
Resona Bank, Limited

BOARD OF DIRECTORS

(as of June 29, 2006)

Chairman
Seiichi Kato

President
Tetsuo Kato

Executive Vice President
Ryohei Sekimoto

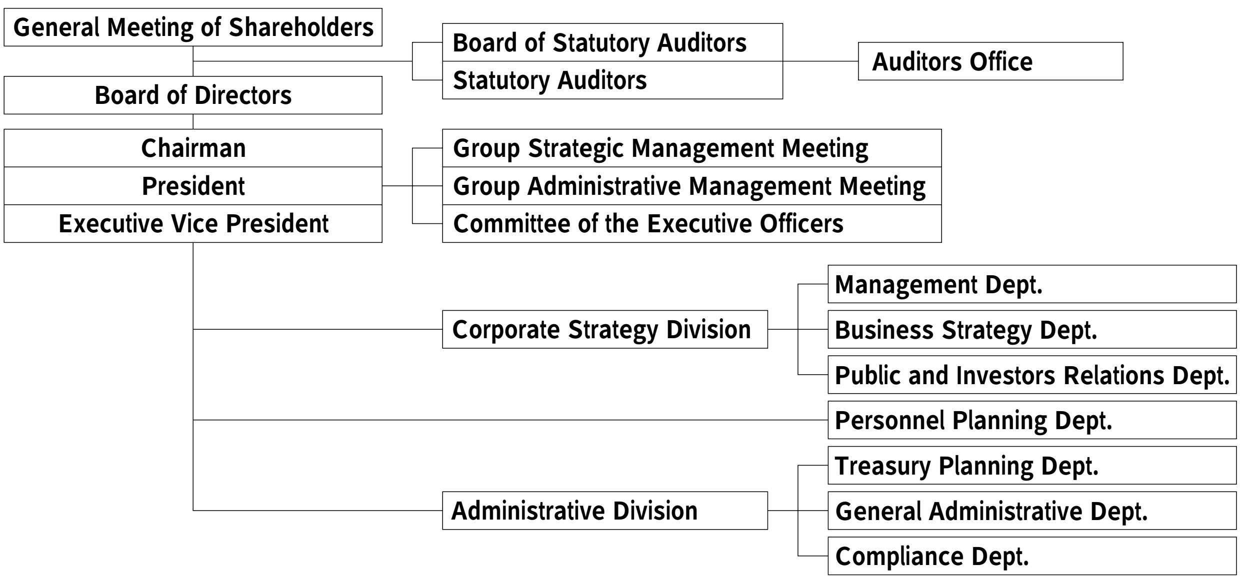
Senior Managing Director
Hiroyuki Shinshiba
Kazuhiko Nonaka

Director
Kenichi Tanaka
Masanori Kanai
Kenjiro Takemiya
Hiroyuki Shindo

Statutory Auditors
Koichi Saku
Hirosuke Minami
Yasunori Tan
Tokio Hiraragi
Yukihiro Asano
Takao Saga

ORGANIZATION CHART

(as of June 29, 2006)



OKASAN HOLDINGS,INC.

http://www.okasan.co.jp/holdings/