OKASAN HOLDINGS

ANNUAL REPORT

Ending March 31, 2007

OKASAN HOLDINGS,INC.

Corporate Profile

Okasan Holdings, Inc. is a holding company of the Okasan Group, an independent 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.

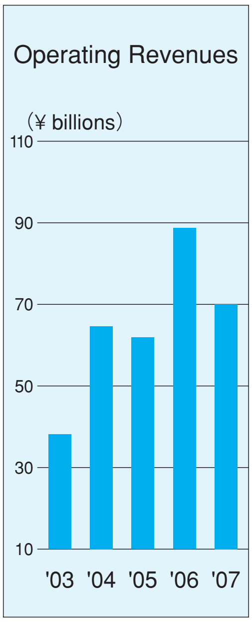
Contents

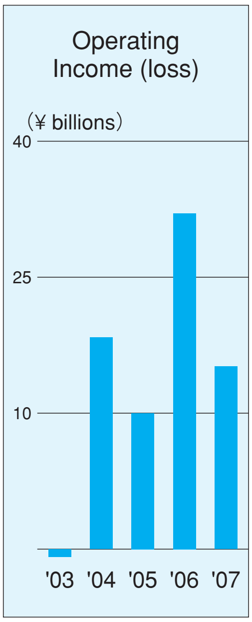
Consolidated Financial Highlights

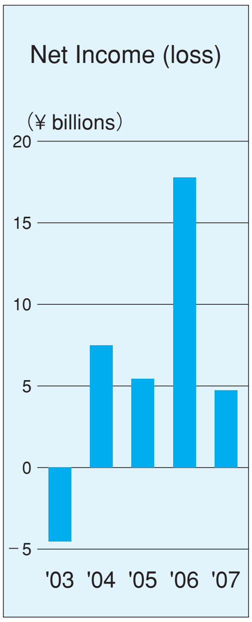
Okasan Holdings, Inc. and consolidated Subsidiaries Years ended March 31, 2007 and 2006

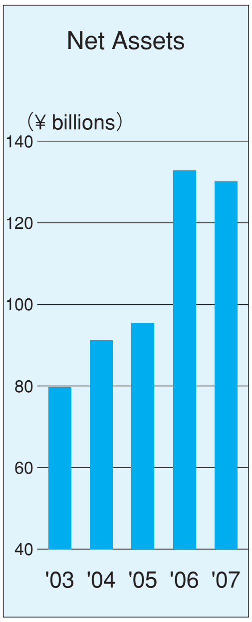
	Millions of yen		Thousands of U.S.dollars (note)
	2007 (4/1/06~3/31/07)	2006 (4/1/05~3/31/06)	2007 (4/1/06~3/31/07)
Operating revenues	¥70,051	¥88,899	$593,401
Operating income	13,438	34,748	113,833
Net income	4,731	17,899	40,076
Total assets	683,089	693,074	5,786,438
Net assets	130,106	132,794	1,102,126
Per share of common stock	yen		U.S.dollars (note)
Basic net income	¥22.95	¥89.07	$0.19
Cash dividends applicable to the year	15.00	25.00	0.13

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 30,2007, which was ¥118.05 to U.S.$1.









Management Policy

Okasan Holdings, Inc. and Consolidated Subsidiaries

1. Basic management policy for the Company

We manage Okasan Securities Co. Ltd., the holding company, its consolidated subsidiaries and affiliates in Japan and overseas as a group. We are determined to continue to increase the corporate value by providing asset management services centered on the securities business and related businesses. We aim to realize a company trusted by customers, shareholders and the market.

2. Basic policy on the distribution of profits and dividend for the term

We regard returns to shareholders as a management priority. While ensuring that sufficient earnings are retained to strengthen management and achieve future development, we pay dividends according to the Group's performance, with the intention of maintaining steady dividends.

3. Important management index

In rapidly changing market conditions, it is important to secure stable profits. Based on this understanding, we consider return on equity (ROE) an important management index. We aim to achieve a stable consolidated ROE of 10% as a business objective.

4. Medium and long-term management strategy

We developed a medium-term management plan, the aim of which is to make Okasan Securities a “perfecting the concept of the Super-Regional securities” We have been executing the plan since April 2006. In the plan we set the following four priorities: (1) Bolstering face-to-face business; (2) Enhancing online business; (3) Promoting an IT strategy; (4) Reinforcing the functions of head office. The main objective of the plan is to establish unique, community-based securities services.

Based on this plan, the Okasan Securities relocated 7 branches in this fiscal year to enhance the branches' consulting function and hired reinforcing the new salespersons, including experienced workers. In August a new mission-critical securities system called the Okasan Database Information Node (ODIN) went live. In September, we used ODIN as the basis for a revamp of Okasan Securities' online trading service. In November, we tied up with the Bank for Investment and Development of Vietnam (BIDV) Securities Co., Ltd. (BSC), a leading securities firm in Vietnam. This is one of the examples of our efforts to develop new markets in Asia. Moreover, Okasan Online Securities, which specializes in the Internet-only business, started business in December and began to provide Chinese stocks for our customers in January. In the asset management business, we endeavored to expand assets under management by improving our product lineup and enhancing the management system. Via the Japan Investment Trust Management promoted corporate social responsibility (CSR) activities, such as donating part of its trust fees to social welfare.

5. The Company's challenges

In an environment that features a rapidly aging population and concern over the public pension system, people are increasingly seeking for the independent-lifestyle in which they manage to try to stock by themselves the living expenses they live up to their retirement. In these circumstances, demand for asset management services, our core business, is increasing more and more. On another front, the securities industry has entered a new era in which companies compete in terms of service creativity, or in how to provide better products and information, the consequence of dynamically systemic reforms of the securities market and deregulation.

In this environment, the Company developed its med-term management plan in April 2006, which sets the guidelines for the business development of Okasan Group, in April 2006. We are just executing the plan now.

The plan calls for the Company to pursue establishing unique, community-based securities services to acknowledge a securities firm with a strong presence in the community. In addition, under the plan, we will remake the Group, becoming a securities group that provides satisfaction for stakeholders, including customers, employees and shareholders. Executing the plan is a top priority for the Group, which is committed to achieving these goals. In fiscal 2007, the final year of the plan, we will focus on bolstering the Group's asset management services and production sectors, including those segments responsible for disclosure, and on recruiting and training human resources. In doing so, we seek to bolster our ability to develop products and provide information centering on investment trusts and to increase our sales force. Our challenges also include emphasizing shareholder value and CSR. At the same time, we will strive to improve corporate governance by launching and developing an internal control system and strengthening our compliance system as required under the Corporation Law and the Financial Products Trading Law.

6. 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 9 directors, which enables a speedy response in decision-making. There is no outside director at present. There are three advisory bodies to the president, "Group Management Strategy Conference", "Group Management Supervisory Conference", and "Committee of the Executive Officers", 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 6 auditors (of which two is a standing statutory auditor), including 3 independent auditors in conformity with article 2.16 of the "Corporation 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 31,2007 and 2006

I. Analysis of Operating Results

In fiscal 2006, the Japanese economy continued to expand moderately, with rising capital expenditure driven by improved corporate performance. Personal spending was robust overall (although there were weaker periods, owing to unseasonable weather, among other factors), as employment conditions took a favorable turn with baby boomers reaching mandatory retirement age and the income situation beginning to show promising signs. Official land prices as of January 1 moved into positive territory for the first time in 16 years, and asset deflation was diminishing. In the circumstances, the Bank of Japan lifted the zero-interest-rate policy and raised interest rates in July and in February.

The stock market was firm at the beginning of the fiscal year, aided by strong fundamentals. However, the trend changed significantly after the consecutive holidays in May on concern over the slowdown of the US economy and the uncertainty surrounding the Japanese economy. The Nikkei Stock Average (closing price) plunged to 14,218 on June 13. The stock market did not rise until foreign investors began to buy Japanese stocks actively in the latter half of the fiscal year, responding positively to rising global stock prices and favorable corporate earnings. In February, the Nikkei Stock Average recovered to 18,000 for the first time in 82 months, since April 2000. However, the market once again turned down, following a worldwide decline in stocks at the end of February. The Nikkei closed at the end of the fiscal year at 17,287.

In the fixed income market, the outlook from the beginning of the fiscal year as to when the Bank of Japan would raise interest rates was mixed. In July, the Bank raised the target unsecured overnight call rate 0.25%. Subsequently, the mood of the market was such that bearish factors ran out of steam, and the 10-year JGB yield moved within a box range from 1.6% to 2.0%. At the Monetary Policy Meeting in February, the Bank of Japan decided to raise the interest rate 0.25%, the first rise in the seven months following the lifting of its zero interest rate policy in July. As concern over excessively high interest rates receded, the market stabilized.

In the foreign exchange market, the dollar fell to ¥109.16 against the yen on May 17. The yen subsequently began to depreciate, and the dollar rose above ¥121 in January. After the global stock downturn at the end of February, the rate temporarily jumped into the ¥115 range. Following that, the exchange rate subsequently became steadier. The rate at the end of the term was ¥118.03 against the dollar. The euro was trading at below ¥140 at the beginning of the fiscal year. In autumn, the euro was stable at over ¥150. At the end of the year, the rate was ¥157.30 against the euro.

In this environment, Okasan Securities, the core member of the Group, renovated its branches and bolstered its consulting function based on its medium-term business plan, the aim of which is to make Okasan Securities a “super-regional securities house.” In addition, the Company held investment seminars and proposed investments in investment trusts that manage assets in foreign currencies including stocks, foreign bonds and foreign REITs. As sales of investment trusts increased with the trend from savings to investment, the Company held Exciting Investment and Assets Fairs from October to late December and endeavored to increase sales of investment trusts.

However, mainly because of declines in stock brokerage commissions and trading earnings in the first half of the fiscal year, the Group's gross operating revenue for the term was ¥70,051 million (78.8% of that of the previous year). Net operating revenue was ¥67,891 million (77.8%), and net income stood at ¥4,731 million (26.4%).

1. Fees and commissions received

Total fees and commissions received amounted to ¥47,893 million (82.2% of that of the previous year). The main items are as follows:

(1) Brokerage commissions

The Tokyo Stock Exchange reported its average daily turnover (of total domestic ordinary shares) in the fiscal year to be 2,060 million shares (86.1% of that of the previous year) in volume terms and ¥2,756.6 billiion (114.7%) in value. In these circumstances, we organized lectures on the economy, held stock investment seminars, and took other steps to provide information on promising stocks and to propose investments. However, the volume of stock trading by personal investors was low during the first half of the fiscal year because of the influence of the stock market slump, and there was a backlash after favorable conditions in the previous fiscal year. Consequently, stock brokerage commissions were ¥23,629 million (60.5%), bond brokerage commissions ¥44 million (55.5%), and total brokerage commissions including other brokerage commissions ¥23,723 million (60.5%).

(2) Underwriting fees and selling concessions

There was strong demand for funds for capital investment etc. during the term. However, since the stock market sagged towards autumn, financing transactions fell in both volume and value terms from the previous fiscal year. On the other hand, IPOs continued to gain popularity, and transactions increased in both volume and value terms. As a result, underwriting fees and selling concessions amounted to ¥883 million (113.7% of that of the previous year). Of this amount, stock-related fees and concessions were ¥29 million (99.1%), while bond-related fees and concessions were ¥913 million (113.2%).

(3) Placement and other commissions

A large part of placement and other commissions is accounted for by investment trusts.

This fiscal year, we focused on accumulating assets by promoting sales of existing funds, mainly “World Sovereign Income” and “Global REIT Selection.” At the same time, we introduced funds investing in Russian and Eastern European stocks, US blue-chip stocks, and world food stocks. We also expanded our lineup of investment trusts by setting up European REIT funds, an industry first, and introducing funds focusing on domestic M&A, among other activities. From October through late December, we held Exciting Investment and Assets Fairs. As a result of these activities, placement commissions amounted to ¥12,962 million (124.8% of that of the previous year).

Other commissions, including agency fees related to investment trusts and commissions on sales of insurance such as variable annuity insurance, were ¥10,292 million (130.9%).

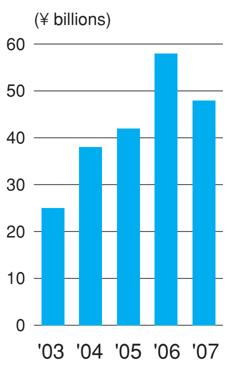
Fees and Commissions received

Breakdown by category

(Millions of yen except percentage)

	2007<A> (4/1/06〜3/31/07)	2006<B> (4/1/05〜3/31/06)	Ratio <A>/<B>
Brokerage commission	¥23,723	¥39,208	60.5
Equities	23,629	39,084	60.5
Bonds	44	80	55.5
Others	50	43	115.7
Underwriting fees and selling concessions	913	806	113.2
Equities	883	776	113.7
Bonds	29	29	99.1
Placement commissions	12,962	10,384	124.8
Other commissions	10,292	7,865	130.9
Total	¥47,893	¥58,265	82.2

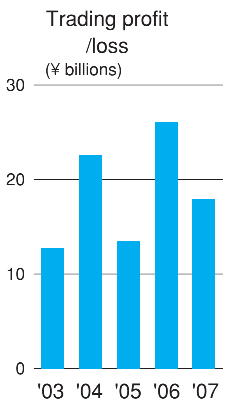
Commissions



Breakdown by Product			(Millions of yen except percentage)
	2007<A> (4/1/06～3/31/07)	2006<B> (4/1/05～3/31/06)	Ratio <A>/<B>
Equities	¥24,847	¥40,409	61.5
Bonds	287	356	80.5
Investment trusts	21,502	16,274	132.1
Others	1,255	1,224	102.6
Total	¥47,893	¥58,265	82.2

2. Trading profit/loss

In the first half of the term, gaining profits from trading shares was difficult because of a decline in the stock market. In the second half, however, revenues increased as the market recovered. Consequently, gains from trading shares were ¥7,237 million (43.4% of that of the previous year). Income from bond trading amounted to ¥10,591 million (113.7%) due to increases in sales of foreign bonds, structured bonds for individuals, etc. Total trading profits were ¥131 million (146.9%) including other trading income of ¥17,961 million (68.8%).



Trading profit/loss			(Millions of yen except percentage)
	2007<A> (4/1/06～3/31/07)	2006<B> (4/1/05～3/31/06)	Ratio <A>/<B>
Equities, etc.	¥7,237	¥16,685	43.4
Bonds, etc.	10,591	9,312	113.7
Others	131	89	146.9
Total	¥17,961	¥26,087	68.8

3. Net financial income

Interest and dividend income was ¥2,593 million (120.8% of that of the previous year) and interest expense was ¥2,160 million (128.7%). Net financial income was ¥433 million (92.4%).

4. Other operating income

There was an income of ¥1,604 million (66.8% of that of the previous year) from operations other than the securities-related business.

5. Selling, general and administrative expenses

Selling, general and administrative expenses rose to ¥54,453million (103.8% of that of the previous year) due to increases in dealing costs, property-related costs, etc.

6. Dividends

It is our policy to pay dividends in consideration to our performance, while maintaining steady annual payouts. For fiscal 2006 we propose a ¥15 dividend per share to shareholders in return for their support shown to us.

Ⅱ. Analysis of financial position

1. Cash flows

Cash and cash equivalents ("Funds") fell by ¥11,162 million, registering ¥24,921 million (69.1% of that of the previous year) at the year-end.

The situation of each type of cash flows and factors of the situation are as follows:

<Cash flows from operating activities>

Operating activities produced a cash outflow of ¥177 million (0.7% of that of the previous year). Positive factors included income before income taxes and minority interests of ¥14,376 million (42.4% of that of the previous year) and declines in the balance of the receivables against payables on margin transactions, and in the balance of receivables against payables on collectivized securities transactions. These positive cash flow factors were offset, however, by a rising balance of trading assets against trading liabilities, an increase in the balance of short-term guarantee deposits paid against guarantee deposits received, and income taxes paid, among other factors.

<Cash flow from investment activities>

Investment activities produced a cash outflow of ¥2,683 million (80.7% of that of the previous year). This result was principally a reflection of the purchase of investment securities.

<Cash flow from financing activities>

Financing activities generated a cash outflow of ¥8,298 million (¥31,966 million inflow last year), mainly because of payments on long-term borrowings and dividends paid to shareholders.

Consolidated Balance Sheets

Okasan Holdings, Inc. and Consolidated Subsidiaries At March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars (note 3)
	2007	2006	2007
ASSETS			
Current assets:			
Cash on hand and in banks (notes 11 and 20)	¥ 32,096	¥ 42,269	$ 271,885
Cash segregated as deposits for customers and others	30,282	39,029	256,518
Trading assets (notes 4 and 11)	212,366	181,891	1,798,949
Receivables arising from unsettled trades	958	-	8,115
Receivables on margin transactions (note 5)	108,654	150,258	920,407
Receivables on collateralized securities transactions (note 6)	215,812	193,964	1,828,141
Short-term investments (note 7)	2,685	5,702	22,745
Deferred income taxes (note 12)	920	2,068	7,793
Other current assets	12,241	9,838	103,693
Allowance for doubtful accounts	(56)	(90)	(474)
Total current assets	615,958	624,929	5,217,772
Property and equipment, net of accumulated depreciation of ¥9,414 million ($79,746 thousand) in 2007 and ¥9,072 million in 2006 (notes 9 and 11)	14,327	14,156	121,364
Intangible assets, net (note 11)	4,738	2,320	40,136
Investments and other assets:			
Investment securities (notes 7, 8 and 11)	39,269	43,124	332,647
Long-term guarantee deposits	3,123	3,047	26,455
Deferred income taxes (note 12)	3,945	4,354	33,418
Other	4,124	3,775	34,934
Allowance for doubtful accounts	(2,395)	(2,631)	(20,288)
Total investments and other assets	48,066	51,669	407,166
TOTAL	¥ 683,089	¥ 693,074	$ 5,786,438

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets－*(Continued)*

Okasan Holdings, Inc. and Consolidated Subsidiaries At March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars (note 3)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities (note 4)	¥ 191,445	¥ 166,028	$ 1,621,728
Payables arising from unsettled trades	-	976	-
Payables on margin transactions (notes 5 and 11)	37,184	66,111	314,985
Payables on collateralized securities transactions (note 6)	132,481	101,298	1,122,245
Deposits received	20,318	26,064	172,113
Guarantee deposits received	15,007	26,527	127,124
Short-term borrowings (notes 10 and 11)	118,151	119,305	1,000,856
Income tax payables (note 12)	1,598	12,739	13,537
Other current liabilities (note 12)	5,850	7,678	49,555
Total current liabilities	522,034	526,726	4,422,143
Non-current liabilities:			
Long-term borrowings (notes 10 and 11)	11,919	13,969	100,966
Deferred income taxes (note 12)	7,434	8,984	62,973
Retirement and severance benefits (note 13)	6,850	6,405	58,026
Other non-current liabilities	3,564	3,206	30,191
Total non-current liabilities	29,767	32,564	252,156
Reserve for securities transactions (note 14)	1,182	990	10,013
Total liabilities	552,983	560,280	4,684,312
Net assets			
Shareholders' equity (note 15):			
Common stock			
Authorized－750,000,000 shares in 2007 and 2006			
Issued－208,214,969 shares in 2007 and 2006	18,590	18,590	157,476
Capital surplus	12,809	12,767	108,505
Retained earnings	66,599	67,287	564,159
Treasury stock, at cost, 2,088,848 shares in 2007 and 2,039,611 shares in 2006	(873)	(760)	(7,395)
Total shareholders' equity	97,125	97,884	822,745
Valuation and translation adjustments:			
Unrealized gain on other securities (note 7)	10,318	12,377	87,403
Surplus on land revaluation (note 16)	153	231	1,296
Foreign currency translation adjustments	164	168	1,389
Total valuation and translation adjustments	10,635	12,776	90,088
Minority interests	22,346	22,134	189,293
Total net assets	130,106	132,794	1,102,126
Commitments and contingencies (note 21)			
TOTAL	¥ 683,089	¥ 693,074	$ 5,786,438

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars (note 3)
	2007	2006	2007
Operating revenues:			
Commissions	¥ 47,893	¥ 58,265	$ 405,701
Net gain on trading	17,961	26,087	152,147
Interest and dividend income	2,593	2,147	21,965
Service fee and other revenues	1,604	2,400	13,588
	70,051	88,899	593,401
Interest expense	2,160	1,677	18,297
Net operating revenues	67,891	87,222	575,104
Selling, general and administrative expenses (note18)	54,453	52,474	461,271
Operating income	13,438	34,748	113,833
Other income (expenses):			
Dividend income	570	399	4,829
Amortization of consolidation difference	146	86	1,237
Interest expense	(270)	(258)	(2,287)
Gain (loss) on sale of investment securities	1,162	(210)	9,843
Loss on sale of fixed assets	(85)	(142)	(720)
Provision for reserve for securities transactions	(191)	(320)	(1,618)
Equity in income of an affiliated company	121	209	1,025
Provision for directors and corporate auditors for prior years	(993)	-	(8,412)
Loss on impairment of long-lived assets (note 9)	-	(574)	-
Contribution to securities market infrastructure improvement fund	-	(240)	-
Other, net	478	179	4,049
	938	(871)	7,946
Income before income taxes and minority interests	14,376	33,877	121,779
Income taxes (note 12):			
Current	5,353	14,645	45,345
Prior years	1,597	-	13,528
Deferred	1,172	(870)	9,928
	8,122	13,775	68,801
Minority interests	1,523	(2,203)	12,902
Net income	¥ 4,731	¥ 17,899	$ 40,076

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balances at March 31, 2005	¥ 12,897	¥ 7,093	¥ 52,504	¥ (644)	¥ 71,850
Changes arising during the year					
New share issuance through public offering	4,950	4,934			9,884
New share issuance through private placement	743	740			1,483
Cash dividends			(2,884)		(2,884)
Bonuses to directors			(198)		(198)
Net income			17,899		17,899
Decrease arising from realization of surplus on land revaluation			(34)		(34)
Other, net				(116)	(116)
Total changes during the year	5,693	5,674	14,783	(116)	26,034
Balances at March 31, 2006	18,590	12,767	67,287	(760)	97,884
Changes arising during the year					
Cash dividends			(5,062)		(5,062)
Bonuses to directors			(357)		(357)
Net income			4,731		4,731
Purchase of treasury stock				(139)	(139)
Disposition of treasury stock		42		33	75
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary				(7)	(7)
Net changes other than shareholders' equity					
Total changes during the year	-	42	(688)	(113)	(759)
Balances at March 31, 2007	¥ 18,590	¥ 12,809	¥ 66,599	¥ (873)	¥ 97,125

	Millions of yen					
	Valuation and translation adjustments					
	Unrealized gain on other securities	Surplus on land revaluation	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balances at March 31, 2005	¥ 4,230	¥ 196	¥ (54)	¥ 4,372	¥ 19,187	¥ 95,409
Changes arising during the year						
New share issuance through public offering						9,884
New share issuance through private placement						1,483
Cash dividends						(2,884)
Bonuses to directors						(198)
Net income						17,899
Decrease arising from realization of surplus on land revaluation						(34)
Other, net	8,147	35	222	8,404	2,947	11,235
Total changes during the year	8,147	35	222	8,404	2,947	37,385
Balances at March 31, 2006	12,377	231	168	12,776	22,134	132,794
Changes arising during the year						
Cash dividends						(5,062)
Bonuses to directors						(357)
Net income						4,731
Purchase of treasury stock						(139)
Disposition of treasury stock						75
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary						(7)
Net changes other than shareholders' equity	(2,059)	(78)	(4)	(2,141)	212	(1,929)
Total changes during the year	(2,059)	(78)	(4)	(2,141)	212	(2,688)
Balances at March 31, 2007	¥ 10,318	¥ 153	¥ 164	¥ 10,635	¥ 22,346	¥ 130,106

	Thousands of U.S. dollars (note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balances at March 31, 2006	$ 157,476	$ 108,149	$ 569,987	$ (6,438)	$ 829,174
Changes arising during the year					
Cash dividends			(42,880)		(42,880)
Bonuses to directors			(3,024)		(3,024)
Net income			40,076		40,076
Purchase of treasury stock				(1,178)	(1,178)
Disposition of treasury stock		356		280	636
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary				(59)	(59)
Net changes other than shareholders' equity					
Total changes during the year	-	356	(5,828)	(957)	(6,429)
Balances at March 31, 2007	$ 157,476	$ 108,505	$ 564,159	$ (7,395)	$ 822,745

	Thousands of U.S. dollars (note 3)					
	Valuation and translation adjustments					
	Unrealized gain on other securities	Surplus on land revaluation	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balances at March 31, 2006	$ 104,845	$ 1,957	$ 1,423	$ 108,225	$ 187,497	$ 1,124,896
Changes arising during the year						
Cash dividends						(42,880)
Bonuses to directors						(3,024)
Net income						40,076
Purchase of treasury stock						(1,178)
Disposition of treasury stock						636
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary						(59)
Net changes other than shareholders' equity	(17,442)	(661)	(34)	(18,137)	1,796	(16,341)
Total changes during the year	(17,442)	(661)	(34)	(18,137)	1,796	(22,770)
Balances at March 31, 2007	$ 87,403	$ 1,296	$ 1,389	$ 90,088	$ 189,293	$ 1,102,126

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars (note 3)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 14,376	¥ 33,877	$ 121,779
Adjustments to reconcile income before income taxes and minority interests to net cash used in operating activities:			
Depreciation and amortization	1,395	881	11,817
Interest and dividend income	(3,212)	(2,597)	(27,209)
Interest expense	2,429	1,935	20,576
Loss on sale of fixed assets	48	139	407
Loss on impairment of long-lived assets	-	574	-
Loss (gain) on sale of investment securities	(1,162)	211	(9,843)
Decrease (increase) in deposits segregated for customer	8,820	(11,620)	74,714
Decrease (increase) in trading assets and increase (decrease) in trading liabilities	(6,992)	16,451	(59,229)
Decrease (increase) in receivables on margin transactions and increase (decrease) in payables on margin transactions	12,676	(28,243)	107,378
Decrease (increase) in receivables on collateralized securities transactions and increase (decrease) in payables on collateralized securities transactions	9,334	(50,949)	79,068
Increase (decrease) in deposits received	(5,743)	6,471	(48,649)
Decrease (increase) in short-term guarantee deposits and increase (decrease) in guarantee deposits received	(12,031)	10,491	(101,915)
Increase (decrease) in accrued bonuses	(181)	758	(1,533)
Increase (decrease) in retirement and severance benefits	446	(1,038)	3,778
Other, net	(4,344)	2,020	(36,798)
Sub-total	15,859	(20,639)	134,341
Interest and dividend received	3,100	2,370	26,260
Interest paid	(2,412)	(1,948)	(20,432)
Income taxes paid	(16,724)	(5,340)	(141,668)
Net cash used in operating activities	(177)	(25,557)	(1,499)
Cash flows from investing activities:			
Payment for purchase of property and equipment	(802)	(636)	(6,794)
Proceeds from sale of property and equipment	20	69	169
Payment for investment securities	(2,369)	(1,406)	(20,068)
Proceeds from sale of investment securities	1,536	187	13,012
Payment for investments in affiliates	(77)	(81)	(652)
Other, net	(991)	(1,457)	(8,395)
Net cash used in investing activities	(2,683)	(3,324)	(22,728)

Consolidated Statements of Cash Flows－*(Continued)*

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars (note 3)
	2007	2006	2007
Cash flows from financing activities:			
Increase in short-term borrowings	1,569	25,817	13,291
Proceeds from long-term borrowings	4,889	1,950	41,415
Payments on long-term borrowings	(9,660)	(4,028)	(81,830)
Proceeds from issuance of common stock	-	11,289	-
Capital contribution from minority interests	150	-	1,271
Proceeds from sale of treasury stock	35	-	296
Purchase of treasury stock	(139)	(110)	(1,177)
Dividends paid to shareholders	(5,062)	(2,883)	(42,880)
Dividends paid to minority shareholders of subsidiaries	(80)	(69)	(678)
Net cash provided by (used in) financing activities	(8,298)	31,966	(70,292)
Effect of exchange rate changes on cash and cash equivalents	(4)	242	(34)
Net increase in cash and cash equivalents	(11,162)	3,327	(94,553)
Cash and cash equivalents, beginning of year	36,083	32,756	305,658
Cash and cash equivalents, end of year (note 20)	¥ 24,921	¥ 36,083	$ 211,105

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

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.

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, 2007 include the accounts of the Company and its 13 subsidiaries (13 subsidiaries in 2006). One company (one company in 2006) 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 difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments. The unallocated portion of the difference, which is recognized as goodwill or negative goodwill, is 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 purposes, 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 purposes, and classifies those securities as (a) debt securities intended to be held to maturity ("held-to-maturity debt 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 net assets. 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 transactions*** – 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 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.
The Company and its domestic consolidated subsidiaries have unfunded defined benefit pension plans for directors and corporate auditors. The provision for the plans has been made in the accompanying consolidated financial statements for vested benefits to which directors and corporate auditors are entitled if they were to retire and sever immediately at the balance sheet date.
Prior to April 1, 2006, the Company and certain domestic consolidated subsidiaries had recognized expenses for retirement benefits to directors and corporate auditors at the time of payment. Effective from the year ended March 31, 2007, the Company and the subsidiaries provide for the amount of vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet date. This change was made in order to achieve more appropriate allocation of the expenses. The effect of this change was to increase expenses for the current year by ¥95 million ($805 thousand), and the cumulative effect of this change of ¥993 million ($8,411 thousand) was reported as other deductions for the year ended March 31, 2007. As a result, income before income taxes and minority interests declined by ¥1,088 million ($9,216 thousand).

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. ***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 an 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 net assets.

o. ***Directors' bonus*** – Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Directors' bonus" (Accounting Standards Board of Japan Statement No. 4, issued by Accounting Standards Board of Japan on November 29, 2005).
According to the Standard, directors' bonuses are accounted for as an expense when such bonuses are accrued, instead of being accounted for as an appropriation of retained earnings upon approval at a general meeting of shareholders. The effect of adoption of the new standard was to decrease income before income taxes and minority interests by ¥360 million ($3,050 thousand).

p. ***Presentation of net assets on balance sheet*** – Effective from the year ended March 31, 2007, the Company adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5, issued by Accounting Standards Board of Japan on December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8, issued by Accounting Standards Board of Japan on December 9, 2005).
According to the Standards, former "Shareholders' equity" is presented as "Net assets" and classified into "Shareholders' equity," "Valuation and translation adjustments" and "Minority interests." "Minority interests" formerly listed after "Liabilities" is included in "Net Assets." The shareholders' equity amounted to ¥107,760 million ($912,833 thousand) based on the former classification.

q. ***Investment trust management fees*** – Prior to April 1, 2006, investment trust management fees of the consolidated subsidiary, Japan Investment Trust Management Co., Ltd. had been included in "Service fee and other revenues" of "Operating Revenues," and effective from the year ended March 31, 2007, the fees were reclassified to "Commissions" in order to present more accurately commissions of investment trusts. The amount of the investment trust management fees reclassified are ¥7,628 million ($64,617 thousand) and ¥5,579 million for the years ended March 31, 2007 and 2006, respectively.

r. ***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, 2007.

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 30, 2007, which was ¥118.05 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, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Trading assets:			
Equity securities and warrants	¥ 2,421	¥ 2,587	$ 20,508
Government, corporate and other bonds	209,845	169,302	1,777,594
Commercial paper and certificates of deposit	100	9,999	847
Beneficiary certificates	-	3	-
	¥ 212,366	¥ 181,891	$ 1,798,949

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Trading liabilities:			
Equity securities and warrants	¥ 249	¥ 237	$ 2,109
Government, corporate and other bonds	191,095	165,791	1,618,763
Commercial paper and certificates of deposit	100	-	847
Derivatives	1	-	9
	¥ 191,445	¥ 166,028	$ 1,621,728

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Assets:			
Loans receivable from customers	¥ 107,154	¥ 149,264	$ 907,700
Cash deposits as collateral for securities borrowed from securities finance companies	1,500	994	12,707
	¥ 108,654	¥ 150,258	$ 920,407
Liabilities:			
Borrowings from securities finance companies	¥ 31,894	¥ 61,974	$ 270,174
Proceeds from securities sold for customers' accounts	5,290	4,137	44,811
	¥ 37,184	¥ 66,111	$ 314,985

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, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Assets:			
Securities borrowed transactions	¥ 205,827	¥ 193,964	$ 1,743,558
Buy Gensaki transactions	9,985	-	84,583
	¥ 215,812	¥ 193,964	$ 1,828,141
Liabilities:			
Securities loaned transactions	¥ 116,552	¥ 91,299	$ 987,311
Sell Gensaki transactions	15,929	9,999	134,934
	¥ 132,481	¥ 101,298	$ 1,122,245

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, 2007 and 2006 is summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
As of March 31, 2007				
Current:				
Government, corporate and other bonds	¥ 2,503	¥ 1	¥ (3)	¥ 2,501
Beneficiary certificates and other	201	-	(17)	184
	¥ 2,704	¥ 1	¥ (20)	¥ 2,685
Non-current:				
Equity securities	¥ 12,458	¥ 19,655	¥ (91)	¥ 32,022
Government, corporate and other bonds	2,584	1	(4)	2,581
Beneficiary certificates and other	54	-	(1)	53
	¥ 15,096	¥ 19,656	¥ (96)	¥ 34,656
As of 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

	Thousands of U.S.dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
As of March 31, 2007				
Current:				
Government, corporate and other bonds	$ 21,203	$ 8	$ (25)	$ 21,186
Beneficiary certificates and other	1,703	-	(144)	1,559
	$ 22,906	$ 8	$ (169)	$ 22,745
Non-current:				
Equity securities	$ 105,532	$ 166,497	$ (771)	$ 271,258
Government, corporate and other bonds	21,889	8	(34)	21,863
Beneficiary certificates and other	457	-	(8)	449
	$ 127,878	$ 166,505	$ (813)	$ 293,570

Securities classified as available-for-sale securities for which fair value is not available are unlisted equity securities amounting to ¥2,786 million ($23,600 thousand) and ¥2,858 million, and investments in limited partnership and similar partnership amounting to ¥534 million ($4,524 thousand) and ¥397 million at March 31, 2007 and 2006, respectively.

Projected future redemption of available-for-sale securities with maturities at March 31, 2007 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	¥ 801	¥ 696	¥ 296	¥ -
Corporate bond securities	701	203	-	-
Other debt securities	999	1,386	-	-
Beneficiary certificates and other	-	183	-	-
Total	¥ 2,501	¥ 2,468	¥ 296	¥ -

	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	$ 6,785	$ 5,896	$ 2,507	$ -
Corporate bond securities	5,938	1,719	-	-
Other debt securities	8,463	11,741	-	-
Beneficiary certificates and other	-	1,550	-	-
Total	$ 21,186	$ 20,906	$ 2,507	$ -

For the years ended March 31, 2007 and 2006, proceeds from sales of other securities are ¥1,520 million ($12,876 thousand) and ¥187 million, the gross realized gains are ¥1,175 million ($9,953 thousand) and ¥9 million, and the gross realized losses are ¥13 million ($110 thousand) and ¥219 million, respectively.

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2007 and 2006 are ¥1,293 million ($10,953 thousand) and ¥1,121 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
Toba-city, Mie Prefecture	Idle assets	Land	¥ 499
and 4 other locations		Buildings and others	75

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 were 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 1.32% and 0.90% at March 31, 2007 and 2006, respectively.

Long-term borrowings at March 31, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Borrowings, maturing in installments through 2014; bearing weighted average interest of 2.82% and 2.73% at March 31, 2007 and 2006, respectively	¥ 19,855	¥ 24,626	$ 168,192
Less current installments	7,936	10,657	67,226
	¥ 11,919	¥ 13,969	$ 100,966

(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
	2007	2006	2007
Current installments of long-term borrowings	¥ 4,800	¥ 5,500	$ 40,661
Long-term borrowings	5,700	8,000	48,285

Annual maturities of long-term borrowings after March 31, 2008, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2009	¥ 5,754	$ 48,742
2010	2,768	23,448
2011	1,837	15,561
2012	1,192	10,097

At March 31, 2007, the Company had unused committed lines of credit amounting to ¥25,000 million ($211,775 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, 2007 and 2006, the carrying value of assets pledged is as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Cash in banks	¥ 6,108	¥ 4,200	$ 51,741
Trading assets	4,616	2,566	39,102
Property and equipment	8,926	8,963	75,612
Intangible assets	402	283	3,405
Investment securities	21,599	27,357	182,965
	¥ 41,651	¥ 43,369	$ 352,825

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

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Short-term borrowings	¥ 27,480	¥ 38,278	$ 232,783
Borrowings from securities finance companies	2,140	3,940	18,128
Long-term borrowings	6,219	5,969	52,681
	¥ 35,839	¥ 48,187	$ 303,592

In addition to above, trading assets and other amounting to ¥48,506 million ($410,894 thousand) and ¥49,558 million are deposited as guarantee for settlement of trading accounts at March 31, 2007 and 2006, respectively. respectively.

The fair value of the securities pledged as collateral at March 31, 2007 and 2006, except for those disclosed in the above table, are as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Securities loaned on margin transactions	¥ 5,821	¥ 4,610	$ 49,310
Securities pledged for borrowings on margin transactions	31,804	63,879	269,411
Securities loaned	117,961	93,592	999,246
Securities sold on Gensaki transactions	15,972	9,999	135,299
Other	48,720	83,550	412,706
	¥ 220,278	¥ 255,630	$ 1,865,972

The fair value of the securities received as collateral at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Securities received on margin transactions	¥ 101,211	¥ 143,841	$ 857,357
Securities borrowed	209,999	198,236	1,778,899
Securities pledged as collateral	82,123	105,794	695,663
Other	14,855	4,085	125,836
	¥ 408,188	¥ 451,956	$ 3,457,755

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 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Deferred tax assets:			
Retirement and severance benefits (employees)	¥ 2,302	¥ 2,564	$ 19,500
Allowance for doubtful accounts	800	891	6,777
Accrued bonuses	706	782	5,980
Tax loss carryforwards	680	929	5,760
Reserve for securities transactions	479	401	4,058
Impairment loss	408	420	3,456
Loss on devaluation of investment securities	384	377	3,253
Retirement and severance benefits (directors and corporate auditors)	384	-	3,253
Depreciation and amortization	205	216	1,737
Accrued business tax	145	972	1,228
Unrealized loss on other securities	46	7	390
Other	1,143	1,044	9,682
	7,682	8,603	65,074
Valuation allowance	(148)	(143)	(1,254)
Total	7,534	8,460	63,820
Deferred tax liabilities:			
Unrealized gain on other securities	(7,969)	(9,687)	(67,505)
Land revaluation excess	(1,879)	(1,268)	(15,917)
Other	(279)	(72)	(2,363)
Total	(10,127)	(11,027)	(85,785)
Net deferred tax liabilities	¥ (2,593)	¥ (2,567)	$ (21,965)

Net deferred tax liabilities at March 31, 2007 and 2006 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Current assets - Deferred income taxes	¥ 920	¥ 2,068	$ 7,793
Investments and other assets - Deferred income taxes	3,945	4,354	33,418
Current liabilities - Other current liabilities	(24)	(5)	(203)
Non-current liabilities - Deferred income taxes	(7,434)	(8,984)	(62,973)
	¥ (2,593)	¥ (2,567)	$ (21,965)

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, 2007 is as follows:

	2007
Statutory tax rate	40.5 %
Expenses not deductible for tax purposes	2.5
Income not credited for tax purposes	(0.3)
Per capita tax	0.5
Prior years' income taxes	11.1
Other	2.2
Effective tax rate	56.5 %

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 a defined contribution retirement and pension plan (Securities Omnibus DC Okasan Plan), a corporate defined benefit pension plan and an unfunded retirement and severance plan that provide for lump-sum payment of benefits.

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
Decrease in projected benefit obligations	¥	(1,680)
Decrease in unrecognized actuarial gain		(114)
Decrease in unrecognized prior service cost		338
Decrease in retirement and severance benefits		(1,456)
Assets transfer to the plan		1,418
Gain on transfer to the defined contribution plan	¥	(38)

Assets will be transferred to the plan over 4 years, and at March 31, 2006, the not transferred amount is ¥1,042 million 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, 2007 and 2006 consist of the followings:

	Millions of yen				Thousands of U.S.dollars	
	2007		2006		2007	
Projected benefit obligations	¥	(11,854)	¥	(11,475)	$	(100,415)
Fair value of plan assets		7,340		6,485		62,177
Unrecognized actuarial gain		(1,168)		(1,341)		(9,894)
Amount recognized in the consolidated balance sheets	¥	(5,682)	¥	(6,331)	$	(48,132)

The components of net periodic benefit cost for the years ended March 2007 and 2006 are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2007		2006		2007	
Service cost	¥	503	¥	513	$	4,261
Interest cost		226		232		1,915
Expected return on plan assets		(31)		(23)		(263)
Recognized actuarial loss		(130)		(95)		(1,101)
		568		627		4,812
Gain on transfer to the defined contribution plan		-		(38)		-
Contributions to the defined contribution plan		173		153		1,465
	¥	741	¥	742	$	6,277

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
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

Directors and corporate auditors are not covered by the plans described above. For such persons, the Company and certain consolidated subsidiaries have unfunded defined benefit pension plans. Under the plans, directors and corporate auditors are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. As described in note 2(k), effective from the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries provide for the amount of vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet date. Some of domestic consolidated subsidiaries had made the provision for the plans at March 31, 2006 and the amount had been classified in "Other non-current liabilities." The liability for retirement and severance benefits related to these plans was reclassified to "retirement and severance benefits" and the amount was ¥1,168 million ($9,894 thousand) and ¥74 million at March 31, 2007 and 2006, respectively.

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

On May 1, 2006, a new corporation law (the "Corporation Law") became effective, which reformed and replaced the Commercial Code of Japan with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006.
The Corporation Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the shareholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.
Cash dividends and appropriations to the legal reserve charged to retained earnings for the years ended March 31, 2007 and 2006 represent dividends paid out during those years and the related appropriations to the legal reserve. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

Dividends paid during the year ended March 31, 2007 which was approved by the General Meeting of Shareholders held on June 29, 2006 are as follows:

(a)	Total dividends	¥5,189 million ($ 43,956 thousand)
(b)	Cash dividends per common share	¥25 ($ 0.21)
(c)	Record date	March 31, 2006
(d)	Effective date	June 30, 2006

Dividends to be paid after the balance sheet date but the record date for the payment belong to the year ended March 31, 2007 which was approval by the General Meeting of Shareholders held on June 28, 2007 are as follows:

(a)	Total dividends	¥3,111 million ($ 26,353 thousand)
(b)	Dividend source	Retained earnings
(c)	Cash dividends per common share	¥15 ($ 0.13)
(d)	Record date	March 31, 2007
(e)	Effective date	June 29, 2007

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 net assets 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 was ¥462 million.

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 338.5% and 332.6% at March 31, 2007 and 2006, respectively.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen				Thousands of U.S.dollars	
	2007		2006		2007	
Commissions and brokerage	¥	9,605	¥	8,608	$	81,364
Employees' compensation and benefits		30,434		30,730		257,806
Occupancy and rental		5,891		5,423		49,903
Data processing and office supplies		4,375		4,107		37,060
Depreciation and amortization		1,395		881		11,817
Taxes other than income taxes		635		678		5,379
Reserve for doubtful accounts		6		5		51
Other		2,112		2,042		17,891
	¥	54,453	¥	52,474	$	461,271

19. PER SHARE INFORMATION

(a) Net Income per Share

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2007 and 2006 are as follows:

	Yen				U.S. dollars	
	2007		2006		2007	
Basic net income per share	¥	22.95	¥	89.07	$	0.19

	Millions of yen				Thousands of U.S.dollars	
	2007		2006		2007	
Net income	¥	4,731	¥	17,899	$	40,076
Net income not applicable to common shareholders:						
Directors' bonuses		-		(374)		-
Net income applicable to common shareholders	¥	4,731	¥	17,525	$	40,076

	Number of shares (Thousand)	
	2007	2006
Weighted average number of shares outstanding on which basic net income per share is calculated	206,082	196,759

(b) Net Assets per Share

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at March 31, 2007 are as follows:

	Yen	U.S. dollars
Net assets per share	¥ 522.79	$ 4.43

	Millions of yen	Thousands of U.S. dollars
Total net assets	¥ 130,106	$ 1,102,126
Amount deducted from total net assets:		
Minority interests	22,346	189,293
Net assets applicable to common stockholders	¥ 107,760	$ 912,833

	Number of shares (Thousand)
Number of shares outstanding at the end of year on which net assets per share is calculated	206,126

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, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash on hand and in banks	¥ 32,096	¥ 42,269	$ 271,885
Time deposits that have maturities of over three months when acquired	(7,375)	(6,386)	(62,474)
Short-term investments with maturities of three months or less when acquired	200	200	1,694
Cash and cash equivalents	¥ 24,921	¥ 36,083	$ 211,105

21. COMMITMENTS AND CONTINGENCIES

At March 31, 2007 and 2006, the Company and certain subsidiaries have guaranteed approximately ¥263 million ($2,228 thousand) and ¥348 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, 2007 and 2006 are as follows:

	Millions of yen					
	2007			2006		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 2,893	¥ 2,612	¥ 5,505	¥ 2,708	¥ 1,960	¥ 4,668
Accumulated depreciation	1,470	830	2,300	1,403	922	2,325
Net carrying amount	¥ 1,423	¥ 1,782	¥ 3,205	¥ 1,305	¥ 1,038	¥ 2,343

	Thousands of U.S. dollars		
	2007		
	Furniture and Fixtures	Software	Total
Acquisition cost	$ 24,507	$ 22,126	$ 46,633
Accumulated depreciation	12,452	7,031	19,483
Net carrying amount	$ 12,055	$ 15,095	$ 27,150

Future minimum payments required under finance leases at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Due within one year	¥ 1,043	¥ 708	$ 8,835
Due after one year	2,273	1,695	19,255
	¥ 3,316	¥ 2,403	$ 28,090

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Lease payments	¥ 1,045	¥ 857	$ 8,852
Depreciation equivalents	993	801	8,412
Interest expense equivalents	79	51	669

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, 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 at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
As of March 31, 2007			
Stock index futures:			
Written	¥ 344	¥ 344	¥ -
Purchased	347	346	(1)
Bond futures:			
Written	1,476	1,476	-
Purchased	671	671	-
Forward foreign exchange:			
Written:			
U.S. dollar	365	366	(1)
Euro	3	3	-
Other	848	847	1
Purchased:			
U.S. dollar	356	358	2
Euro	4	4	-
Other	678	697	19

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
As of 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

	Millions of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
As of March 31, 2007			
Stock index futures:			
Written	$ 2,914	$ 2,914	$ -
Purchased	2,939	2,931	(8)
Bond futures:			
Written	12,503	12,503	-
Purchased	5,684	5,684	-
Forward foreign exchange:			
Written:			
U.S. dollar	3,092	3,100	(8)
Euro	25	25	-
Other	7,183	7,175	8
Purchased:			
U.S. dollar	3,016	3,033	17
Euro	34	34	-
Other	5,743	5,904	161

The fair value of stock index futures, bond futures and forward foreign exchange is computed using prices on the market.

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 at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
As of March 31, 2007			
Interest rate swaps:			
Variable rate received for fixed rate	¥ 1,563	¥ (21)	¥ (21)
Commodity futures:			
Written	85	87	(2)
Purchased	80	83	3
As of 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

	Millions of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
As of March 31, 2007			
Interest rate swaps:			
Variable rate received for fixed rate	$ 13,240	$ (178)	$ (178)
Commodity futures:			
Written	720	737	(17)
Purchased	678	703	25

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, 2007 and 2006.

(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, 2007 and 2006.

Toyo Horwath
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, 2007 and 2006, and the related consolidated statements of operations, changes in net assets 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, 2007 and 2006, 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.

As more fully described in Note 2(k) to the consolidated financial statements, effective from the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries have changed the method of accounting for retirement benefits to directors and corporate auditors.

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 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 Horwath

June 28, 2007
Tokyo, Japan
Toyo Horwath

REFERENCE DATA

Non - Consolidated Balance Sheets

Okasan Securities Co. , Ltd. As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 7,324	¥ 9,877	$ 62,041
Cash segregated as deposits for customers and others	23,965	32,757	203,007
Trading assets	211,482	180,230	1,791,461
Receivables arising from unsettled trades	1,053	-	8,920
Receivables on margin transactions	97,342	133,017	824,583
Receivables on collateralized securities transactions	215,812	193,963	1,828,141
Deferred income taxes	598	1,749	5,066
Other current assets	7,495	6,531	63,490
Allowance for doubtful accounts	(44)	(82)	(373)
Total current assets	565,027	558,042	4,786,336
Property and equipment, net of accumulated depreciation of ¥2,764 million ($23,414 thousand) in 2007 and ¥2,681 million in 2006	1,550	1,486	13,130
Intangible assets, net	181	178	1,533
Investments and other assets:			
Investment securities	150	150	1,271
Long-term guarantee deposits	3,093	2,987	26,201
Deferred income taxes	3,363	3,579	28,488
Other	2,357	2,242	19,966
Allowance for doubtful accounts	(1,750)	(1,739)	(14,824)
Total investments and other assets	7,213	7,219	61,102
TOTAL	¥ 573,971	¥ 566,925	$ 4,862,101

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities	¥ 191,262	¥ 165,919	$ 1,620,178
Payables arising from unsettled trades	-	744	-
Payables on margin transactions	34,515	59,551	292,376
Payables on collateralized securities transactions	132,481	101,298	1,122,245
Deposits received	14,690	19,953	124,439
Guarantee deposits received	13,534	24,099	114,646
Short-term borrowings	112,065	109,415	949,301
Income tax payables	-	3,344	-
Other current liabilities	6,330	14,344	53,621
Total current liabilities	504,877	498,667	4,276,806
Non-current liabilities:			
Long-term borrowings	6,700	8,000	56,756
Retirement and severance benefits	5,368	5,937	45,472
Other non-current liabilities	798	1,168	6,760
Total non-current liabilities	12,866	15,105	108,988
Reserve for securities transactions	931	730	7,887
Total liabilities	518,674	514,502	4,393,681
Net assets			
Shareholder's equity:			
Common stock			
Authorized－240,000 shares			
Issued－100,000 shares in 2007 and 2006	5,000	5,000	42,355
Capital surplus	29,200	29,200	247,353
Retained earnings	21,097	18,223	178,712
Total shareholder's equity	55,297	52,423	468,420
Total net assets	55,297	52,423	468,420
TOTAL	¥ 573,971	¥ 566,925	$ 4,862,101

Non – Consolidated Statements of Operations

Okasan Securities Co., Ltd. Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Operating revenues:			
Commissions	¥ 40,099	¥ 50,466	$ 339,678
Net gain on trading	17,408	23,738	147,463
Interest and dividend income	2,220	1,837	18,806
	59,727	76,041	505,947
Interest expense	1,984	1,452	16,807
Net operating revenues	57,743	74,589	489,140
Selling, general and administrative expenses	48,781	49,480	413,223
Operating income	8,962	25,109	75,917
Other income (expenses):			
Provision for reserve for securities transactions	(200)	(295)	(1,694)
Loss on sale of fixed assets	(34)	(91)	(288)
Provision for directors and corporate auditors for prior years	(55)	-	(466)
Contribution to securities market infrastructure improvement fund	-	(240)	-
Other, net	226	178	1,914
	(63)	(448)	(534)
Income before income taxes	8,899	24,661	75,383
Income taxes:			
Current	2,549	11,086	21,593
Deferred	1,366	(892)	11,571
	3,915	10,194	33,164
Net income	¥ 4,984	¥ 14,467	$ 42,219

CORPORATE DATA

(As of March 31, 2007)

Company Name
OKASAN HOLDINGS, INC.

Date of Establishment
August 25, 1944

Head Office
1-17-6 Nihonbashi, Chuo-ku, Tokyo 103-8268, Japan

Phone Number
+81-3-3272-2222

Paid-in Capital
18,590 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
Morgan Stanley and Company, Inc.
Daido Life Insurance Company
Tosei
Mizuho Corporate Bank, Limited
Resona Bank, Limited
The Mitsubishi Tokyo UFJ Bank, Limited

BOARD OF DIRECTORS

(As of June 1, 2007)

Chairman
Seiichi Kato

President
Tetsuo Kato

Senior Managing Director
Hiroyuki Shinshiba
Kazuhiko Nonaka

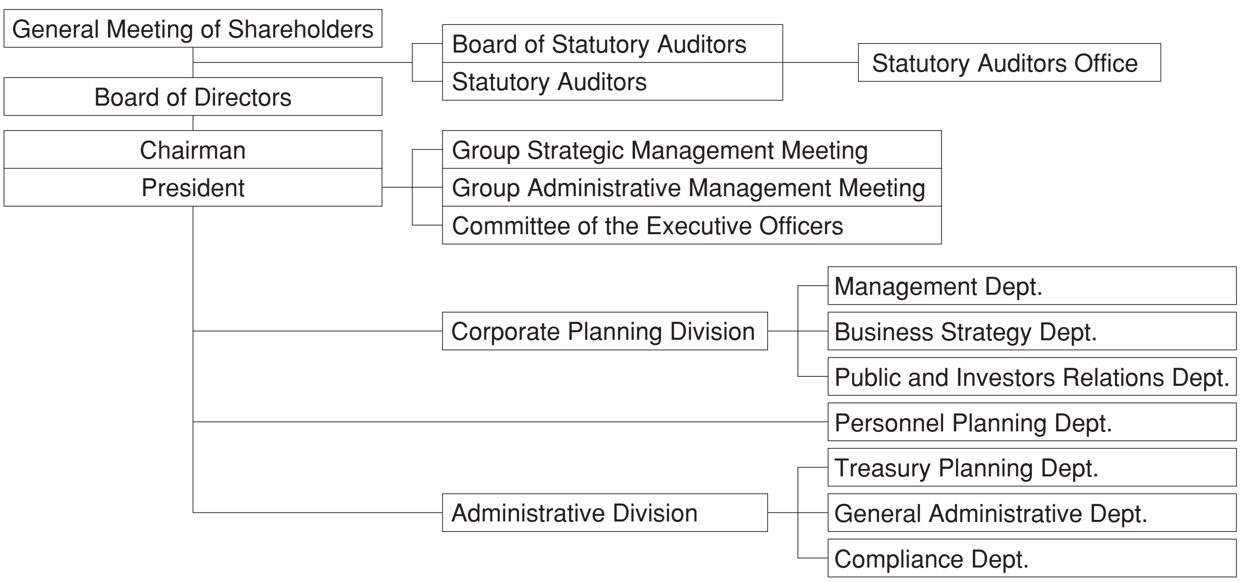
Managing Director
Hiroyuki Shindo

Director
Kenichi Tanaka
Masanori Kanai
Kenjiro Takemiya

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

ORGANIZATION CHART

(As of June 1, 2007)



OKASAN HOLDINGS,INC.

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