OKASAN HOLDINGS

ANNUAL REPORT

Ending March 31, 2008

OKASAN HOLDINGS,INC.

Corporate Profile

Okasan Holdings, Inc. is a holding company of the Okasan Securities 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.

Okasan Holdings, Inc. will change its business name to OKASAN SECURITIES GROUP INC. from October 1, 2008.

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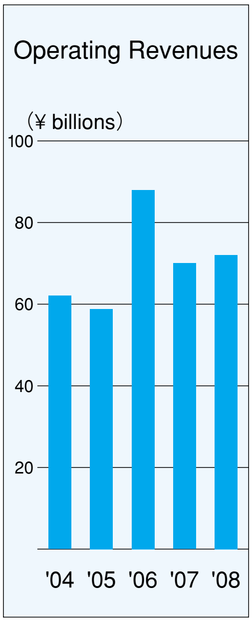
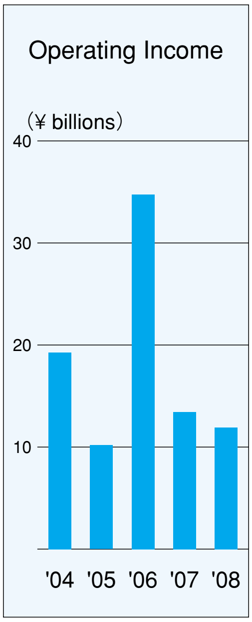
Consolidated Financial Highlights

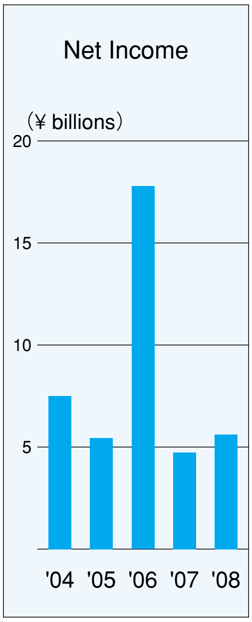
Okasan Holdings, Inc. and consolidated Subsidiaries Years ended March 31, 2008 and 2007

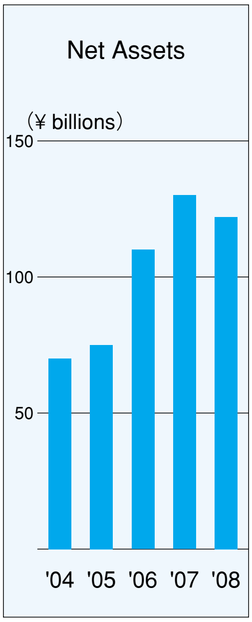
	Millions of yen		Thousands of U.S.dollars (note)
	2008 (4/1/07～3/31/08)	2007 (4/1/06～3/31/07)	2008 (4/1/07～3/31/08)
Operating revenues	¥72,314	¥70,051	$721,769
Operating income	11,929	13,438	119,064
Net income	5,620	4,731	56,093
Total assets	573,510	683,089	5,724,224
Net assets	122,020	130,106	1,217,886
Per share of common stock	Yen		U.S.dollars (note)
Basic net income	¥27.32	¥22.95	$0.27
Cash dividends applicable to the year	15.00	15.00	0.15

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, 2008, which was ¥100.19 to U.S.$1.









Management Policy

Okasan Holdings, Inc. and Consolidated Subsidiaries

1. Basic management policy for the Company

The Company manages the corporate Group consisting of the Company, which is the holding company, and consolidated subsidiaries and affiliates in Japan and abroad. Through asset management services, which have at their core the securities business and asset management business, the Company aims to continue to increase corporate value and to become a company that is 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

(1) Medium-term vision and progress

The Company developed a medium-term business plan with the aim of "perfecting the concept of super-regional securities," and has been endeavoring to execute this plan since April 2006.

During the period of the plan, we bolstered the consulting function of branches and relocated and remodeled eight Okasan Securities branches in the face-to-face securities business. In the process, we have created new branches based on new concepts, including a branch that fuses face-to-face and online trading (Otemachi Branch) and an information transmission-type branch (Yokkaichi Branch) with a sophisticated financial information department. We also launched Okasan SMA, a service for high net worth individuals, in June 2007. In the online securities business, we established Okasan Online Securities, which specializes in Internet trading, to respond to the growth in Internet transactions.

Introducing ODIN (Okasan database information node), a new backbone securities system, we upgraded the online trade service of Okasan Securities in September 2006. Okasan Online Securities commenced full operations with the launch of services for the trading of Japanese shares in July 2007. Meanwhile, in the asset management business, we bolstered our product lineup and upgraded our management system, thereby expanding assets under management. We also endeavored to boost sales of investment trusts, particularly monthly distribution-type and Asia-related funds. As a result, consolidated assets under management in investment trusts exceeded ¥1 trillion for the first time in FY2007.

Consolidated net assets rose from ¥110.6 billion at the end of March 2006 to ¥122.0 billion at the end of 2008. The average consolidated ROE during the period stood at 4.9%.

(2) New Medium-Term Business Plan

The Company has developed a new medium-term business plan for the period from April 2008 through the end of March 2011 (from FY2008 to FY2010). The following is an outline of the business plan:

Medium-Term Business Plan of the Okasan Securities Group

1. Period of the Plan

Three years from April 2008 through the end of March 2011

2. Basic Group Policies

For our clients	Doing all we can for each and every one of our clients ・Provide real instruments, information and services ・Consolidate a community-based approach to managing securities
For our employees	Ensure that employees achieve maximum job satisfaction in our Company
For our shareholders	Enhance the value of the Group, which was built around retail securities

3. Numerical Targets

Consolidated ROE	: 10% (a long-term, stable target)
Consolidated operating revenue	: 100 billion yen (final fiscal year)
Consolidated deposit assets	: 6 trillion yen (final fiscal year)

4. Main Strategies for the Plan Period

The medium-term business plan has five principle strategies, described below:

(1) Improve the ability to provide products and investment information
(investment information reform to establish Okasan as an information powerhouse)

(2) Bolster the asset management business

(3) Become a leader in employee enthusiasm

(4) Construction of innovative IT infrastructure

(5) Establish a sophisticated brand to be shared throughout the Okasan Securities Group

5. The Company's challenges

The trend from savings to investments, which the government promotes, is accelerating, and demand for asset management services is increasing given a falling birthrate and an aging population, concern over the public pension system, and prolonged low interest rates. Meanwhile, the market is becoming more intense due to competition with banks and new entries into the securities market from different industries encouraged by deregulation, as well as the reorganization of financial conglomerates.

In this environment, the Company developed the new medium-term business plan, which sets out guidelines for the development of the businesses of the Group, in April this year. The new medium-term business plan follows the philosophy of the previous medium-term business plan (for FY2006 and FY2007) and positions the next three years as a period for promoting initiatives for new growth. The main thrust of the plan is to increase the presence of the Group in the market by rapidly enhancing its ability to provide products and investment information, its mainstay offerings, and to build a business base that will allow it to achieve lasting, stable growth. With respect to the ability to provide information, the Group will pursue reforms in the investment information logistics (namely, methods of creating, showing, and communicating investment information) of Okasan Securities and will aim to establish Okasan as an information powerhouse.

The Group is united in its commitment to successfully executing the medium-term business plan, which it considers to be the top priority.

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

①Management 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 8 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.

②Corporate 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

At the beginning of the fiscal year under review, the Japanese economy continued to expand moderately, boosted by a recovery in capital expenditure and robust exports. However, the economy appeared to enter a temporally lull after summer, with negative factors beginning to emerge, including a significant fall in housing starts in the wake of the revisions to the Building Standards Law, a slowdown in exports to the United States, and a deterioration of consumer sentiment as soaring prices of crude oil and raw materials began to be passed on to retail prices.

In the foreign exchange market, the yen was initially weak in an environment of extremely low interest rates in Japan, and the dollar temporarily rose above ¥124 on June 22. The yen also depreciated against the euro, which topped ¥168 in July. In the second half of the fiscal year, however, risk-averse attitudes prevailed on concern about a credit crunch triggered by the worsening US subprime mortgage crisis, and the yen rebounded. With worries about a U.S. recession rising, the yen appreciated sharply the dollar in March, with the greenback temporarily retreating below ¥96 on March 17, the first time it had been below that level since August 1995. The yen also rose against the euro, which fell below ¥152.

In this environment, the stock market began the fiscal year on a strong note, fueled by positive expectations about corporate earnings. The Nikkei Stock Average (closing price) rose to 18,261 on July 9. However, the stock market subsequently entered a correction on concern over the deterioration of domestic and overseas economies in addition to global financial market turmoil triggered by the US subprime mortgage crisis. As 2008 began, uncertainty about corporate earnings increased with the appreciation of the yen and soaring raw material costs. As a result, the Nikkei Stock Average fell to 11,787 on March 17, its lowest point in two years and seven months. The stock market was unstable thereafter, with the index closing at 12,525 at the end of the fiscal year. The Nikkei fell on a fiscal year basis for the first time in three years, declining 27.5% over the year.

The fixed income market fell sharply after late May, on fears of an expected early rate hike by the Bank of Japan and rises in long-term interest rates in the United States. The 10-year JGB yield rose to 1.985% on June 13. The bond market remained at low levels until mid-August. Interest rates in Japan and the US then began to trend downward, following the spread of concern over credit risks in the United States. After the turn of the year, speculation about a rate cut by the BOJ emerged against the background of the falling stock market and the rapid appreciation of the yen. In association with that speculation, the 10-year JGB yield fell to 1.215% on March 26.

Okasan Securities, the core member of the Group, focused on the sale of investment trusts in this environment. To increase assets under management in investment trusts, Okasan Securities introduced new products, including asset diversification funds, and expanded its lineup of Asia and Oceania funds. The Company took steps to bolster its business for high net worth individuals. It introduced Okasan SMA, a new product, in June and organized seminars for high net worth individuals and senior citizens, such as Affluent Second Life Seminars, in the second half of the fiscal year. In response to the digitization of share certificates to be introduced in January 2009, it focused on collecting share certificates that shareholders were keeping at home.

Meanwhile, Okasan Online Securities, a securities company specializing in online trading that began trading Japanese shares in late July, focused on acquiring new accounts by running campaigns, such as a monitor questionnaire survey campaign and a first anniversary campaign.

As a result of these activities, the Group posted for the term gross operating revenues of ¥72,314 million (up 3.2% year on year), net operating revenues of ¥69,639 million (rising 2.6%), an income before income taxes and minority interests of ¥14,758 million (up 2.7%) and a net income of ¥5,620 million (increasing 18.8%).

1. Fees and commissions received

Total fees and commissions received amounted to ¥47,497 million (down 0.8% year on year). The following is a breakdown:

(1) Brokerage commissions

The average daily trading volume (of total domestic ordinary shares) on the Tokyo Stock Exchange in the fiscal year was 2,262 million shares (up 9.8%), and the trading value was ¥2,939.4 billion (rising 6.6%). However, stock brokerage commissions fell to ¥18,927 million (down 19.9%), reflecting a decline in the volume of trading by personal investors in a flagging stock market troubled by the US subprime mortgage crisis. Bond brokerage commissions were ¥23 million (declining 48.4%). Total brokerage commissions, including other brokerage commissions, were ¥19,036 million (falling 19.8%).

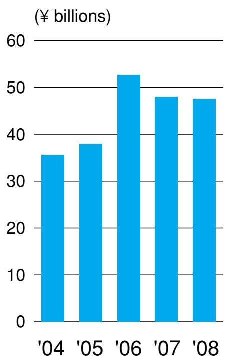
(2) Underwriting fees and selling concessions

During the fiscal year, the Company lead managed two new listings and a public offering of a listed company in the equity market. However, underwriting fees and selling concessions were ¥370 million (down 58.1%), reflecting a significant fall in financing transactions in both volume and value from the year-ago level because of a decline in the stock market. In the bond market, the Company acted as a co-lead manager for a domestic straight issue, but bond-related fees and concessions were ¥15 million (falling 47.8%). As a result, total underwriting fees and selling concessions were ¥385 million (declining 57.8%).

(3) Placement and other commissions

A large part of placement and other commissions is accounted for by investment trusts. In this fiscal year, we introduced a significant number of Asia-related funds and new products, including funds investing in government bonds of emerging countries and asset diversification funds that respond to the needs of customers, and focused on accumulating assets under management. We also introduced funds focusing on commodities in step with the change in the investment environment, as well as funds investing in shares worldwide with an eye to investment timing, expanding our lineup of investment trusts. To bolster sales of investment trusts, we organized Exciting Investment and Assets Fairs. As a result of these activities, placement commissions amounted to ¥15,320 million (up 18.2%).
Other commissions were ¥12,756 million (rising 23.9%) with an increase in management fees for investment trusts.
We introduced new personal insurance products, namely, “ING Smart Design 123” of ING Life Insurance Company in May, “Long Dream”of Nippon Life Insurance Company in July, and “Nice Sailing” of The Dai-ichi Mutual Life Insurance Company in January.

Commissions



Fees and Commissions received

Breakdown by category

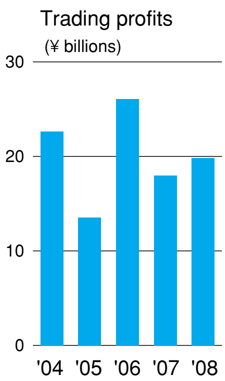
(Millions of yen except percentage)

	2008<A> (4/1/07～3/31/08)	2007<B> (4/1/06～3/31/07)	Ratio <A>/<B>
Brokerage commissions	¥19,036	¥23,724	80.2
Equities	18,927	23,629	80.1
Bonds	23	44	51.6
Others	86	51	170.9
Underwriting fees and selling concessions	385	913	42.2
Equities	370	883	41.9
Bonds	15	30	52.2
Placement commissions	15,320	12,963	118.2
Other commissions	12,756	10,293	123.9
Total	¥47,497	¥47,893	99.2

Breakdown by Product			(Millions of yen except percentage)
	2008<A> (4/1/07～3/31/08)	2007<B> (4/1/06～3/31/07)	Ratio <A>/<B>
Equities	¥19,607	¥24,847	78.9
Bonds	222	287	77.2
Investment trusts	26,510	21,503	123.3
Others	1,158	1,256	92.3
Total	¥47,497	¥47,893	99.2

2. Trading profits

Although revenues from trading domestic shares experienced sluggish growth in the term due to the deterioration of the stock market, the volume of over-the-counter transactions of foreign shares increased. Consequently, gains from trading shares amounted to ¥7,279 million (up 0.6%). Income from bond trading was ¥12,618 million (rising 19.1%), the result of increases in revenue from domestic and foreign bonds. Total trading profits were ¥19,957 million (increasing 11.1%) including other trading income of ¥60 million (down 54.7%).



Trading profits			(Millions of yen except percentage)
	2008<A> (4/1/07～3/31/08)	2007<B> (4/1/06～3/31/07)	Ratio <A>/<B>
Equities, etc.	¥ 7,279	¥ 7,238	100.6
Bonds, etc.	12,618	10,591	119.1
Others	60	132	45.3
Total	¥19,957	¥17,961	111.1

3. Net financial income

Interest and dividend income was ¥3,459 million (up 33.4%), and interest expense was ¥2,675 million (rising 23.9 %). Net financial income was ¥783 million (increasing 80.5%).

4. Other operating income

Operating income from operations other than the securities-related business was ¥1,401 million (down 12.6%).

5. Selling, general and administrative expenses

Selling, general and administrative expenses rose to ¥57,710 million (up 6.0%) because of an increase in expenses including dealing costs.

6. Other income (expenses)

Net of other income and expenses was ¥2,829 million, increased by ¥1,891 million, mainly due to amortization of negative goodwill.

7. Dividends

It is our policy to pay dividends in consideration to our performance, while maintaining steady annual payouts. For fiscal 2007 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”) rose ¥3,925 million from the end of the previous fiscal year, to ¥28,846 million (up 15.8% year on year) at the end of the fiscal year under review.

Cash flows and important factors in cash flows are shown below:

<Cash flows from operating activities>

Operating activities generated a cash inflow of ¥4,927 million (¥177 million outflow last year) mainly as a result of an increase in the balance of receivables against payables for collateralized securities transactions of ¥34,450 million being more than offset by a decrease in the balance of receivables against payables for margin transactions of ¥37,760 million.

<Cash flows from investment activities>

Investment activities produced a cash outflow of ¥6,345 million (up 136.5% year on year). An inflow including proceeds from the sale of investment securities of ¥3,059 million was more than offset by an outflow including a payment for intangible assets of ¥3,815 million, a payment for investment securities of ¥2,473 million and a payment for investments in affiliates of ¥1,662 million.

<Cash flows from financing activities>

Financing activities resulted in a cash inflow of ¥3,328 million (¥8,298 million outflow last year), primarily because of an increase in short-term borrowings.

Consolidated Balance Sheets

Okasan Holdings, Inc. and Consolidated Subsidiaries At March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (note 3)
	2008	2007	2008
ASSETS			
Current assets:			
Cash on hand and in banks (notes 10 and 19)	¥ 36,277	¥ 32,096	$ 362,082
Cash segregated as deposits for customers and others	17,934	30,282	179,000
Trading assets (notes 4 and 10)	196,543	212,366	1,961,703
Receivables arising from unsettled trades	-	958	-
Receivables on margin transactions (note 5)	53,672	108,654	535,702
Receivables on collateralized securities transactions (note 6)	199,830	215,812	1,994,510
Short-term investments (note 7)	1,173	2,685	11,708
Deferred income taxes (note 11)	1,232	920	12,297
Other current assets	8,543	12,241	85,268
Allowance for doubtful accounts	(50)	(56)	(499)
Total current assets	515,154	615,958	5,141,771
Property and equipment, net of accumulated depreciation of ¥9,926 million ($99,072 thousand) in 2008 and ¥9,414 million in 2007 (note 10)	15,457	14,327	154,277
Intangible assets, net (note 10)	7,217	4,738	72,033
Investments and other assets:			
Investment securities (notes 7, 8 and 10)	27,112	39,269	270,606
Long-term guarantee deposits	3,463	3,123	34,564
Deferred income taxes (note 11)	3,384	3,945	33,776
Other (note 8)	3,649	4,124	36,421
Allowance for doubtful accounts	(1,926)	(2,395)	(19,224)
Total investments and other assets	35,682	48,066	356,143
TOTAL	¥ 573,510	¥ 683,089	$ 5,724,224

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets－*(Continued)*

Okasan Holdings, Inc. and Consolidated Subsidiaries At March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (note 3)
	2008	2007	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities (note 4)	¥ 159,426	¥ 191,445	$ 1,591,237
Payables arising from unsettled trades	4,163	-	41,551
Payables on margin transactions (notes 5 and 10)	20,556	37,184	205,170
Payables on collateralized securities transactions (note 6)	82,049	132,481	818,934
Deposits received	12,810	20,318	127,857
Guarantee deposits received	11,687	15,007	116,648
Short-term borrowings (notes 9 and 10)	123,106	118,151	1,228,725
Income tax payables (note 11)	2,817	1,598	28,117
Other current liabilities (note 11)	5,503	5,850	54,926
Total current liabilities	422,117	522,034	4,213,165
Non-current liabilities:			
Long-term borrowings (notes 9 and 10)	14,145	11,919	141,182
Deferred income taxes (note 11)	4,359	7,434	43,507
Retirement and severance benefits (note 12)	6,323	6,850	63,110
Other non-current liabilities	3,108	3,564	31,021
Total non-current liabilities	27,935	29,767	278,820
Reserve for securities transactions (note 13)	1,438	1,182	14,353
Total liabilities	451,490	552,983	4,506,338
Net assets			
Shareholders' equity (note 14):			
Common stock			
Authorized－750,000,000 shares in 2008 and 2007			
Issued－208,214,969 shares in 2008 and 2007	18,590	18,590	185,548
Capital surplus	12,944	12,809	129,195
Retained earnings	68,479	66,599	683,491
Treasury stock, at cost, 3,678,208 shares in 2008 and 2,088,848 shares in 2007	(1,856)	(873)	(18,525)
Total shareholders' equity	98,157	97,125	979,709
Valuation and translation adjustments:			
Unrealized gain on other securities (note 7)	4,221	10,318	42,130
Surplus on land revaluation (note 15)	197	153	1,966
Foreign currency translation adjustments	(276)	164	(2,755)
Total valuation and translation adjustments	4,142	10,635	41,341
Minority interests	19,721	22,346	196,836
Total net assets	122,020	130,106	1,217,886
Commitments and contingencies (note 20)			
TOTAL	¥ 573,510	¥ 683,089	$ 5,724,224

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (note 3)
	2008	2007	2008
Operating revenues:			
Commissions	¥ 47,497	¥ 47,893	$ 474,069
Net gain on trading	19,957	17,961	199,192
Interest and dividend income	3,459	2,593	34,524
Service fee and other revenues	1,401	1,604	13,984
	72,314	70,051	721,769
Interest expense	2,675	2,160	26,700
Net operating revenues	69,639	67,891	695,069
Selling, general and administrative expenses (note17)	57,710	54,453	576,005
Operating income	11,929	13,438	119,064
Other income (expenses):			
Dividend income	643	570	6,418
Amortization of negative goodwill	2,165	146	21,609
Interest expense	(187)	(270)	(1,867)
Gain on sale of investment securities	152	1,162	1,517
Gain on sale of a subsidiary	606	-	6,048
Loss on devaluation of investment securities	(518)	(46)	(5,170)
Provision for reserve for securities transactions	(249)	(191)	(2,485)
Equity in income of an affiliated company	2	121	20
Provision for directors and corporate auditors for prior years	-	(993)	-
Other, net	215	439	2,146
	2,829	938	28,236
Income before income taxes and minority interests	14,758	14,376	147,300
Income taxes (note 11):			
Current	5,619	5,353	56,083
Prior years	-	1,597	-
Deferred	2,189	1,172	21,849
	7,808	8,122	77,932
Minority interests	1,330	1,523	13,275
Net income	¥ 5,620	¥ 4,731	$ 56,093

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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
Changes arising during the year:					
Decrease resulting from exclusion of a subsidiary from consolidation		(2)			(2)
Increase resulting from a change in interest in consolidated subsidiaries		6			6
Decrease resulting from newly consolidated subsidiaries			(705)		(705)
Cash dividends			(3,035)		(3,035)
Net income			5,620		5,620
Purchase of treasury stock				(5,798)	(5,798)
Disposition of treasury stock		131		4,851	4,982
Changes of treasury stock arising from a change in interest in consolidated subsidiaries				(36)	(36)
Net changes other than shareholders' equity					
Total changes during the year	-	135	1,880	(983)	1,032
Balances at March 31, 2008	¥ 18,590	¥ 12,944	¥ 68,479	¥ (1,856)	¥ 98,157

	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, 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
Changes arising during the year:						
Decrease resulting from exclusion of a subsidiary from consolidation						(2)
Increase resulting from a change in interest in consolidated subsidiaries						6
Decrease resulting from newly consolidated subsidiaries						(705)
Cash dividends						(3,035)
Net income						5,620
Purchase of treasury stock						(5,798)
Disposition of treasury stock						4,982
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary						(36)
Net changes other than shareholders' equity	(6,097)	44	(440)	(6,493)	(2,625)	(9,118)
Total changes during the year	(6,097)	44	(440)	(6,493)	(2,625)	(8,086)
Balances at March 31, 2008	¥ 4,221	¥ 197	¥ (276)	¥ 4,142	¥ 19,721	¥ 122,020

	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, 2007	$ 185,548	$ 127,847	$ 664,727	$ (8,714)	$ 969,408
Changes arising during the year:					
Decrease resulting from exclusion of a subsidiary from consolidation		(20)			(20)
Increase resulting from a change in interest in consolidated subsidiaries		60			60
Decrease resulting from newly consolidated subsidiaries			(7,037)		(7,037)
Cash dividends			(30,292)		(30,292)
Net income			56,093		56,093
Purchase of treasury stock				(57,870)	(57,870)
Disposition of treasury stock		1,308		48,418	49,726
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary				(359)	(359)
Net changes other than shareholders' equity					
Total changes during the year	-	1,348	18,764	(9,811)	10,301
Balances at March 31, 2008	$ 185,548	$ 129,195	$ 683,491	$ (18,525)	$ 979,709

	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, 2007	$ 102,984	$ 1,527	$ 1,637	$ 106,148	$ 223,036	$1,298,592
Changes arising during the year:						
Decrease resulting from exclusion of a subsidiary from consolidation						(20)
Increase resulting from a change in interest in consolidated subsidiaries						60
Decrease resulting from newly consolidated subsidiaries						(7,037)
Cash dividends						(30,292)
Net income						56,093
Purchase of treasury stock						(57,870)
Disposition of treasury stock						49,726
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary						(359)
Net changes other than shareholders' equity	(60,854)	439	(4,392)	(64,807)	(26,200)	(91,007)
Total changes during the year	(60,854)	439	(4,392)	(64,807)	(26,200)	(80,706)
Balances at March 31, 2008	$ 42,130	$ 1,966	$ (2,755)	$ 41,341	$ 196,836	$1,217,886

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (note 3)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 14,758	¥ 14,376	$ 147,300
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,736	1,395	17,327
Interest and dividend income	(4,127)	(3,212)	(41,192)
Interest expense	2,862	2,429	28,566
Gain on sale of investment securities	(134)	(1,162)	(1,337)
Loss on devaluation of investment securities	518	46	5,170
Gain on sale of a subsidiary	(467)	-	(4,661)
Amortization of negative goodwill	(2,165)	(146)	(21,609)
Decrease (increase) in deposits segregated for customer	12,740	8,820	127,159
Decrease (increase) in trading assets and increase (decrease) in trading liabilities	(11,083)	(6,992)	(110,620)
Decrease (increase) in receivables on margin transactions and increase (decrease) in payables on margin transactions	37,760	12,676	376,884
Decrease (increase) in receivables on collateralized securities transactions and increase (decrease) in payables on collateralized securities transactions	(34,450)	9,334	(343,847)
Increase (decrease) in deposits received	(6,959)	(5,743)	(69,458)
Decrease (increase) in short-term guarantee deposits and increase (decrease) in guarantee deposits received	(3,853)	(12,031)	(38,457)
Increase (decrease) in allowance for doubtful accounts	294	(216)	2,935
Increase (decrease) in retirement and severance benefits	(531)	446	(5,300)
Increase (decrease) in reserve for securities transactions	249	191	2,485
Other, net	1,013	(4,352)	10,111
Sub-total	8,161	15,859	81,456
Interest and dividend received	4,124	3,100	41,162
Interest paid	(2,851)	(2,412)	(28,456)
Income taxes paid	(4,507)	(16,724)	(44,985)
Net cash provided by (used in) operating activities	4,927	(177)	49,177
Cash flows from investing activities:			
Payment for purchase of property and equipment	(1,111)	(802)	(11,089)
Payment for intangible assets	(3,815)	-	(38,078)
Payment for investment securities	(2,473)	(2,369)	(24,683)
Proceeds from sale of investment securities	3,059	1,536	30,532
Payment for investments in affiliates	(1,662)	(77)	(16,589)
Other, net	(343)	(971)	(3,423)
Net cash used in investing activities	(6,345)	(2,683)	(63,330)

Consolidated Statements of Cash Flows－*(Continued)*

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (note 3)
	2008	2007	2008
Cash flows from financing activities:			
Increase in short-term borrowings	7,223	1,569	72,093
Proceeds from long-term borrowings	8,620	4,889	86,036
Payments on long-term borrowings	(8,482)	(9,660)	(84,659)
Capital contribution from minority interests	-	150	-
Proceeds from sale of treasury stock	5,029	35	50,195
Purchase of treasury stock	(5,798)	(139)	(57,870)
Dividends paid to shareholders	(3,035)	(5,062)	(30,292)
Dividends paid to minority shareholders of subsidiaries	(229)	(80)	(2,286)
Net cash provided by (used in) financing activities	3,328	(8,298)	33,217
Effect of exchange rate changes on cash and cash equivalents	(341)	(4)	(3,404)
Net increase (decrease) in cash and cash equivalents	1,569	(11,162)	15,660
Cash and cash equivalents, beginning of year	24,921	36,083	248,738
Cash and cash equivalents of newly consolidated subsidiaries	2,356	-	23,515
Cash and cash equivalents, end of year (note 19)	¥ 28,846	¥ 24,921	$ 287,913

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Holdings, Inc. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

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 Financial Instruments 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, 2008 include the accounts of the Company and its 14 subsidiaries (13 subsidiaries in 2007). There are no affiliates accounted for by equity method in 2008. One company was accounted for by the equity method in 2007.

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 is recognized as goodwill or negative goodwill. Goodwill is being amortized over its estimated period of benefit on a straight-line basis and negative goodwill is being amortized over the appropriate period to reflect the investments, while immaterial goodwill or negative goodwill is charged to income when incurred.

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.

Pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the estimated residual value of property and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1. The effect of this change was immaterial. Pursuant to an amendment to the Corporation Tax Law, property and equipment acquired on or before March 31, 2007 which were depreciated to the allowable limit (95% of the acquisition cost) in a particular business year can be further depreciated down to ¥1 evenly over five years starting from the following business year. The effect of this change was immaterial.

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. 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, and the cumulative effect of this change of ¥993 million 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.

k. Leases − 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.

l. Income taxes – Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate, inhabitant 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.

m. 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.

n. 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.

o. 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 at March 31, 2007 based on the former classification.

p. 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, 2008.

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, 2008, which was ¥100.19 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, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Trading assets:			
Equity securities and warrants	¥ 628	¥ 2,421	$ 6,268
Government, corporate and other bonds	190,806	209,845	1,904,442
Commercial paper and certificates of deposit	5,099	100	50,893
Derivatives	10	-	100
	¥ 196,543	¥ 212,366	$ 1,961,703

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Trading liabilities:			
Equity securities and warrants	¥ 438	¥ 249	$ 4,372
Government, corporate and other bonds	158,879	191,095	1,585,777
Commercial paper and certificates of deposit	100	100	998
Derivatives	9	1	90
	¥ 159,426	¥ 191,445	$ 1,591,237

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Assets:			
Loans receivable from customers	¥ 47,481	¥ 107,154	$ 473,909
Cash deposits as collateral for securities borrowed from securities finance companies	6,191	1,500	61,793
	¥ 53,672	¥ 108,654	$ 535,702
Liabilities:			
Borrowings from securities finance companies	¥ 11,958	¥ 31,894	$ 119,353
Proceeds from securities sold for customers' accounts	8,598	5,290	85,817
	¥ 20,556	¥ 37,184	$ 205,170

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, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Assets:			
Securities borrowed transactions	¥ 199,730	¥ 205,827	$ 1,993,512
Buy Gensaki transactions	100	9,985	998
	¥ 199,830	¥ 215,812	$ 1,994,510
Liabilities:			
Securities loaned transactions	¥ 76,951	¥ 116,552	$ 768,051
Sell Gensaki transactions	5,098	15,929	50,883
	¥ 82,049	¥ 132,481	$ 818,934

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, 2008 and 2007 is summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2008				
Current:				
Government, corporate and other bonds	¥ 901	¥ -	¥ (1)	¥ 900
Beneficiary certificates and other	288	27	(42)	273
	¥ 1,189	¥ 27	¥ (43)	¥ 1,173
Non-current:				
Equity securities	¥ 13,218	¥ 8,303	¥ (676)	¥ 20,845
Government, corporate and other bonds	2,281	19	(1)	2,299
Beneficiary certificates and other	335	14	(8)	341
Commodity fund	356	-	(4)	352
	¥ 16,190	¥ 8,336	¥ (689)	¥ 23,837
At 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

	Thousands of U.S.dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2008				
Current:				
Government, corporate and other bonds	$ 8,993	$ -	$ (10)	$ 8,983
Beneficiary certificates and other	2,874	270	(419)	2,725
	$ 11,867	$ 270	$ (429)	$ 11,708
Non-current:				
Equity securities	$ 131,929	$ 82,873	$ (6,747)	$ 208,055
Government, corporate and other bonds	22,767	189	(10)	22,946
Beneficiary certificates and other	3,344	140	(80)	3,404
Commodity fund	3,553	-	(40)	3,513
	$ 161,593	$ 83,202	$ (6,877)	$ 237,918

Securities classified as available-for-sale securities for which fair value is not available are unlisted equity securities amounting to ¥2,957 million ($29,514 thousand) and ¥2,786 million, and investments in limited partnership and similar partnership amounting to ¥318 million ($3,174 thousand) and ¥534 million at March 31, 2008 and 2007, respectively.

Projected future redemption of available-for-sale securities with maturities at March 31, 2008 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	¥ 499	¥ 199	¥ 311	¥ -
Corporate bond securities	201	302	-	-
Other debt securities	200	1,487	-	-
Beneficiary certificates and other	-	534	90	-
Total	¥ 900	¥ 2,522	¥ 401	¥ -

	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	$ 4,981	$ 1,986	$ 3,104	$ -
Corporate bond securities	2,006	3,014	-	-
Other debt securities	1,996	14,842	-	-
Beneficiary certificates and other	-	5,330	898	-
Total	$ 8,983	$ 25,172	$ 4,002	$ -

For the years ended March 31, 2008 and 2007, proceeds from sales of other securities are ¥3,059 million ($30,532 thousand) and ¥1,520 million, the gross realized gains are ¥152 million ($1,517 thousand) and ¥1,175 million, and the gross realized losses are ¥18 million ($180 thousand) and ¥13 million, respectively.

Commodity fund is presented as securities due to the amendment of Japanese Financial Instruments and Exchange Law in 2007. The amounts of such investments included in "Other investments and other assets" at March 31, 2007 was ¥354 million, and the amounts include in "Investments securities" at March 31, 2008 is ¥352 million ($3,513 thousand).

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2008 and 2007 are ¥22 million ($220 thousand) and ¥1,293 million, respectively.

9. BORROWINGS

The weighted-average interest rates applicable to the short-term borrowings are 1.29% and 1.32% at March 31, 2008 and 2007, respectively.

Long-term borrowings at March 31, 2008 and 2007 consist of the following:

	Millions of yen				Thousands of U.S.dollars	
	2008		2007		2008	
Borrowings, maturing in installments through 2014; bearing weighted average interest of 2.95% and 2.82% at March 31, 2008 and 2007, respectively	¥	19,994	¥	19,855	$	199,561
Less current installments		5,849		7,936		58,379
	¥	14,145	¥	11,919	$	141,182

(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	
	2008		2007		2008	
Current installments of long-term borrowings	¥	2,450	¥	4,800	$	24,454
Long-term borrowings		8,050		5,700		80,347

Annual maturities of long-term borrowings after March 31, 2009, are as follows:

	Millions of yen		Thousands of U.S.dollars	
Year ending March 31				
2010	¥	4,766	$	47,570
2011		7,918		79,030
2012		1,397		13,944
2013		47		469

To meet its liquidity needs stably and expeditiously and to strengthen financial operations, the Company established a ¥26,000 million ($259,507 thousand) commitment line contracts with 11 financial institutions at March 31, 2008 and a ¥25,000 million commitment line contracts with 10 financial institutions at March 31, 2007. There were no borrowings under the commitment line contracts both at March 31, 2008 and 2007.

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.

10. PLEDGED ASSETS

At March 31, 2008 and 2007, the carrying value of assets pledged is as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Cash in banks	¥ 6,206	¥ 6,108	$ 61,942
Trading assets	15,892	4,616	158,619
Property and equipment	9,532	8,926	95,139
Intangible assets	-	402	-
Investment securities	16,509	21,599	164,777
	¥ 48,139	¥ 41,651	$ 480,477

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

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Short-term borrowings	¥ 37,043	¥ 27,480	$ 369,727
Borrowings from securities finance companies	486	2,140	4,851
Long-term borrowings	10,610	6,219	105,899
	¥ 48,139	¥ 35,839	$ 480,477

In addition to above, at March 31, 2008, trading assets, etc. amounting to ¥68,232 million ($681,026 thousand) and ¥3,542 million ($35,353 thousand) are deposited as guarantee for settlement of trading accounts and securities borrowed, respectively. At March 31, 2007, trading assets, etc. amounting to ¥48,506 million were deposited as guarantee for settlement of trading accounts.

The fair value of the securities pledged as collateral at March 31, 2008 and 2007, except for those disclosed in the above table, are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Securities loaned on margin transactions	¥ 8,226	¥ 5,821	$ 82,104
Securities pledged for borrowings on margin transactions	11,642	31,804	116,199
Securities loaned	77,276	117,961	771,295
Securities sold on Gensaki transactions	5,100	15,972	50,903
Other	37,676	48,720	376,046
	¥ 139,920	¥ 220,278	$ 1,396,547

The fair value of the securities received as collateral at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Securities received on margin transactions	¥ 38,058	¥ 101,211	$ 379,858
Securities borrowed	204,532	209,999	2,041,441
Securities pledged as collateral	52,857	82,123	527,568
Other	8,060	14,855	80,447
	¥ 303,507	¥ 408,188	$ 3,029,314

11. 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 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Deferred tax assets:			
Retirement and severance benefits (employees)	¥ 2,098	¥ 2,302	$ 20,940
Tax loss carryforwards	1,359	680	13,564
Accrued bonuses	667	706	6,657
Reserve for securities transactions	583	479	5,819
Allowance for doubtful accounts	566	800	5,649
Retirement and severance benefits (directors and corporate auditors)	464	384	4,631
Loss on devaluation of investment securities	434	384	4,332
Impairment loss	399	408	3,982
Accrued business tax	266	145	2,655
Depreciation and amortization	214	205	2,136
Unrealized loss on other securities	73	46	729
Other	710	1,143	7,087
	7,833	7,682	78,181
Valuation allowance	(2,565)	(148)	(25,601)
Total	5,268	7,534	52,580
Deferred tax liabilities:			
Unrealized gain on other securities	(3,097)	(7,969)	(30,911)
Land revaluation excess	(1,879)	(1,879)	(18,754)
Other	(103)	(279)	(1,028)
Total	(5,079)	(10,127)	(50,693)
Net deferred tax assets (liabilities)	¥ 189	¥ (2,593)	$ 1,887

Net deferred tax liabilities at March 31, 2008 and 2007 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen				Thousands of U.S.dollars	
	2008		2007		2008	
Current assets－Deferred income taxes	¥	1,232	¥	920	$	12,297
Investments and other assets－Deferred income taxes		3,384		3,945		33,776
Current liabilities－Other current liabilities		(68)		(24)		(679)
Non-current liabilities－Deferred income taxes		(4,359)		(7,434)		(43,507)
	¥	189	¥	(2,593)	$	1,887

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 years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Statutory tax rate	40.5 %	40.5 %
Expenses not deductible for tax purposes	1.4	2.5
Income not credited for tax purposes	(0.5)	(0.3)
Per capita tax	0.5	0.5
Tax loss carryforwards	14.0	-
Prior years' income taxes	-	11.1
Other	(3.0)	2.2
Effective tax rate	52.9 %	56.5 %

12. 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.

The funded status of retirement and pension plans at March 31, 2008 and 2007 consist of the followings:

	Millions of yen				Thousands of U.S.dollars	
	2008		2007		2008	
Projected benefit obligations	¥	(12,129)	¥	(11,854)	$	(121,060)
Fair value of plan assets		7,006		7,340		69,927
Unrecognized actuarial gain		(56)		(1,168)		(559)
Amount recognized in the consolidated balance sheets	¥	(5,179)	¥	(5,682)	$	(51,692)

The components of net periodic benefit cost for the years ended March 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Service cost	¥ 551	¥ 503	$ 5,499
Interest cost	233	226	2,325
Expected return on plan assets	(35)	(31)	(349)
Recognized actuarial loss	(459)	(130)	(4,581)
	290	568	2,894
Contributions to the defined contribution plan	182	173	1,817
	¥ 472	¥ 741	$ 4,711

Assumptions used for the years ended March 31, 2008 and 2007 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. The liability for retirement and severance benefits related to these plans was ¥1,144 million ($11,418 thousand) and ¥1,168 million at March 31, 2008 and 2007, respectively.

13. 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.

14. 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, 2008 and 2007 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
(b)	Cash dividends per common share	¥25
(c)	Record date	March 31, 2006
(d)	Effective date	June 30, 2006

Dividends paid during the year ended March 31, 2008 which was approved by the General Meeting of Shareholders held on June 28, 2007 are as follows:

(a)	Total dividends	¥3,111 million ($31,051 thousand)
(b)	Cash dividends per common share	¥15 ($0.15)
(c)	Record date	March 31, 2007
(d)	Effective date	June 29, 2007

Dividends to be paid after the balance sheet date but the record date for the payment belong to the year ended March 31, 2008 which was approved by the General Meeting of Shareholders held on June 27, 2008 are as follows:

(a)	Total dividends	¥3,111 million ($31,051 thousand)
(b)	Dividend source	Retained earnings
(c)	Cash dividends per common share	¥15 ($0.15)
(d)	Record date	March 31, 2008
(e)	Effective date	June 30, 2008

15. 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 non-current deferred income taxes.
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.

16. 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 367.2% and 338.5% at March 31, 2008 and 2007, respectively.

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Commissions and brokerage	¥ 10,627	¥ 9,605	$ 106,068
Employees' compensation and benefits	30,639	30,434	305,809
Occupancy and rental	6,183	5,891	61,713
Data processing and office supplies	4,681	4,375	46,721
Depreciation and amortization	1,736	1,395	17,327
Taxes other than income taxes	658	635	6,567
Reserve for doubtful accounts	280	6	2,795
Other	2,906	2,112	29,005
	¥ 57,710	¥ 54,453	$ 576,005

18. 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, 2008 and 2007 are as follows:

	Yen		U.S. dollars
	2008	2007	2008
Basic net income per share	¥ 27.32	¥ 22.95	$ 0.27

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Net income	¥ 5,620	¥ 4,731	$ 56,093
Net income not applicable to common shareholders	-	-	-
Net income applicable to common shareholders	¥ 5,620	¥ 4,731	$ 56,093

	Number of shares (Thousand)	
	2008	2007
Weighted average number of shares outstanding on which basic net income per share is calculated	205,711	206,082

(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, 2008 and 2007 are as follows:

	Yen		U.S. dollars
	2008	2007	2008
Net assets per share	¥ 500.15	¥ 522.79	$ 4.99

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Total net assets	¥ 122,020	¥ 130,106	$ 1,217,886
Amount deducted from total net assets:			
Minority interests	19,721	22,346	196,836
Net assets applicable to common stockholders	¥ 102,299	¥ 107,760	$ 1,021,050

	Number of shares (Thousand) 2008	Number of shares (Thousand) 2007
Number of shares outstanding at the end of year on which net assets per share is calculated	204,537	206,126

19. 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 at March 31, 2008 and 2007 are as follows:

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Cash on hand and in banks	¥ 36,277	¥ 32,096	$ 362,082
Time deposits that have maturities of over three months when acquired	(7,431)	(7,375)	(74,169)
Short-term investments with maturities of three months or less when acquired	-	200	-
Cash and cash equivalents	¥ 28,846	¥ 24,921	$ 287,913

20. COMMITMENTS AND CONTINGENCIES

At March 31, 2008 and 2007, the Company and certain subsidiaries have guaranteed approximately ¥225 million ($2,246 thousand) and ¥263 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.

21. LEASES

Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized at March 31, 2008 and 2007 are as follows:

	Millions of yen					
	2008			2007		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 3,108	¥ 2,807	¥ 5,915	¥ 2,893	¥ 2,612	¥ 5,505
Accumulated depreciation	2,016	1,075	3,091	1,470	830	2,300
Net carrying amount	¥ 1,092	¥ 1,732	¥ 2,824	¥ 1,423	¥ 1,782	¥ 3,205

	Thousands of U.S. dollars		
	2008		
	Furniture and Fixtures	Software	Total
Acquisition cost	$ 31,021	$ 28,017	$ 59,038
Accumulated depreciation	20,122	10,730	30,852
Net carrying amount	$ 10,899	$ 17,287	$ 28,186

Future minimum payments required under finance leases at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Due within one year	¥ 1,056	¥ 1,043	$ 10,540
Due after one year	1,883	2,273	18,794
	¥ 2,939	¥ 3,316	$ 29,334

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Lease payments	¥ 1,202	¥ 1,045	$ 11,997
Depreciation equivalents	1,131	993	11,289
Interest expense equivalents	82	79	818

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

22. 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 by each derivative. Primarily, trading department checks the position and the gain or loss, and assesses the risks. Secondarily, risk control department ascertains the position and the assessed risks reported by the trading department, and supervises the position. 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, 2008 and 2007 are summarized as follows:

	Millions of yen		
At March 31, 2008	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:			
Written	¥ 363	¥ 365	¥ (2)
Purchased	378	375	(4)
Bond futures:			
Written	5,768	5,761	7
Forward foreign exchange:			
Written:			
U.S. dollar	226	227	(1)
Euro	8	8	-
Other	419	417	2
Purchased:			
U.S. dollar	46	46	-
Other	326	340	14
At 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

	Thousands of U.S. dollars		
At March 31, 2008	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:			
Written	$ 3,623	$ 3,643	$ (20)
Purchased	3,773	3,743	(40)
Bond futures:			
Written	57,571	57,501	70
Forward foreign exchange:			
Written:			
U.S. dollar	2,256	2,266	(10)
Euro	80	80	-
Other	4,182	4,162	20
Purchased:			
U.S. dollar	459	459	-
Other	3,254	3,394	140

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, 2008 and 2007 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
At March 31, 2008			
Interest rate swaps:			
Variable rate received for fixed rate	¥ 993	¥ (15)	¥ (15)
Commodity futures:			
Written	42	39	3
Purchased	40	40	-
At 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

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
At March 31, 2008			
Interest rate swaps:			
Variable rate received for fixed rate	$ 9,911	$ (150)	$ (150)
Commodity futures:			
Written	419	389	30
Purchased	399	399	-

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.

23. 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, 2008 and 2007.

(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, 2008 and 2007.

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, 2008 and 2007, 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, 2008 and 2007, 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(j) 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, 2008 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 12, 2008
Tokyo, Japan
Toyo Horwath

REFERENCE DATA

Balance Sheets

Okasan Securities Co., Ltd. As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 6,680	¥ 7,324	$ 66,673
Cash segregated as deposits for customers and others	12,863	23,965	128,386
Trading assets	196,276	211,482	1,959,038
Receivables arising from unsettled trades	-	1,053	-
Receivables on margin transactions	46,941	97,342	468,520
Receivables on collateralized securities transactions	199,830	215,812	1,994,510
Short-term guarantee deposits	3,168	2,979	31,620
Investment in parent	707	-	7,057
Deferred income taxes	963	598	9,612
Other current assets	2,911	4,516	29,055
Allowance for doubtful accounts	(48)	(44)	(479)
Total current assets	470,291	565,027	4,693,992
Property and equipment, net of accumulated depreciation of ¥2,978 million ($29,724 thousand) in 2008 and ¥2,764 million in 2007	1,462	1,550	14,592
Intangible assets, net	179	181	1,787
Investments and other assets:			
Investment securities	565	150	5,639
Long-term guarantee deposits	3,051	3,093	30,452
Deferred income taxes	2,733	3,363	27,278
Other	2,002	2,357	19,982
Allowance for doubtful accounts	(1,411)	(1,750)	(14,083)
Total investments and other assets	6,940	7,213	69,268
TOTAL	¥ 478,872	¥ 573,971	$ 4,779,639

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities	¥ 159,323	¥ 191,262	$ 1,590,208
Payables arising from unsettled trades	4,051	-	40,433
Payables on margin transactions	18,634	34,515	185,987
Payables on collateralized securities transactions	82,049	132,481	818,934
Deposits received	8,269	14,690	82,533
Guarantee deposits received	9,801	13,534	97,824
Short-term borrowings	117,815	112,065	1,175,916
Income tax payables	809	-	8,075
Other current liabilities	6,444	6,330	64,318
Total current liabilities	407,195	504,877	4,064,228
Non-current liabilities:			
Long-term borrowings	8,050	6,700	80,347
Retirement and severance benefits	4,807	5,368	47,979
Other non-current liabilities	430	798	4,292
Total non-current liabilities	13,287	12,866	132,618
Reserve for securities transactions	1,116	931	11,139
Total liabilities	421,598	518,674	4,207,985
Net assets			
Shareholder's equity:			
Common stock			
Authorized－240,000 shares			
Issued－100,000 shares in 2008 and 2007	5,000	5,000	49,905
Capital surplus	29,200	29,200	291,446
Retained earnings	23,165	21,097	231,211
Total shareholder's equity	57,365	55,297	572,562
Valuation and translation adjustments:			
Unrealized loss on other securities	(91)	-	(908)
Total net assets	57,274	55,297	571,654
TOTAL	¥ 478,872	¥ 573,971	$ 4,779,639

Statements of Operations

Okasan Securities Co., Ltd. Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Operating revenues:			
Commissions	¥ 37,909	¥ 40,099	$ 378,371
Net gain on trading	18,699	17,408	186,635
Interest and dividend income	3,074	2,220	30,682
	59,682	59,727	595,688
Interest expense	2,523	1,984	25,182
Net operating revenues	57,159	57,743	570,506
Selling, general and administrative expenses	48,978	48,781	488,851
Operating income	8,181	8,962	81,655
Other income (expenses):			
Provision for reserve for securities transactions	(185)	(200)	(1,847)
Loss on sale of fixed assets	(9)	(34)	(90)
Provision for directors and corporate auditors for prior years	-	(55)	-
Other, net	388	226	3,873
	194	(63)	1,936
Income before income taxes	8,375	8,899	83,591
Income taxes:			
Current	3,480	2,549	34,734
Deferred	327	1,366	3,264
	3,807	3,915	37,998
Net income	¥ 4,568	¥ 4,984	$ 45,593

CORPORATE DATA

(As of March 31, 2008)

Company Name

OKASAN HOLDINGS, INC.

※ *The business name of the company will be changed to OKASAN SECURITIES GROUP INC. from October 1, 2008.*

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

11 companies

BOARD OF DIRECTORS

(As of June 27, 2008)

Chairman

Seiichi Kato

President

Tetsuo Kato

Senior Managing Director

Hiroyuki Shinshiba
Kazuhiko Nonaka

Managing Director

Hiroyuki Shindo

Director

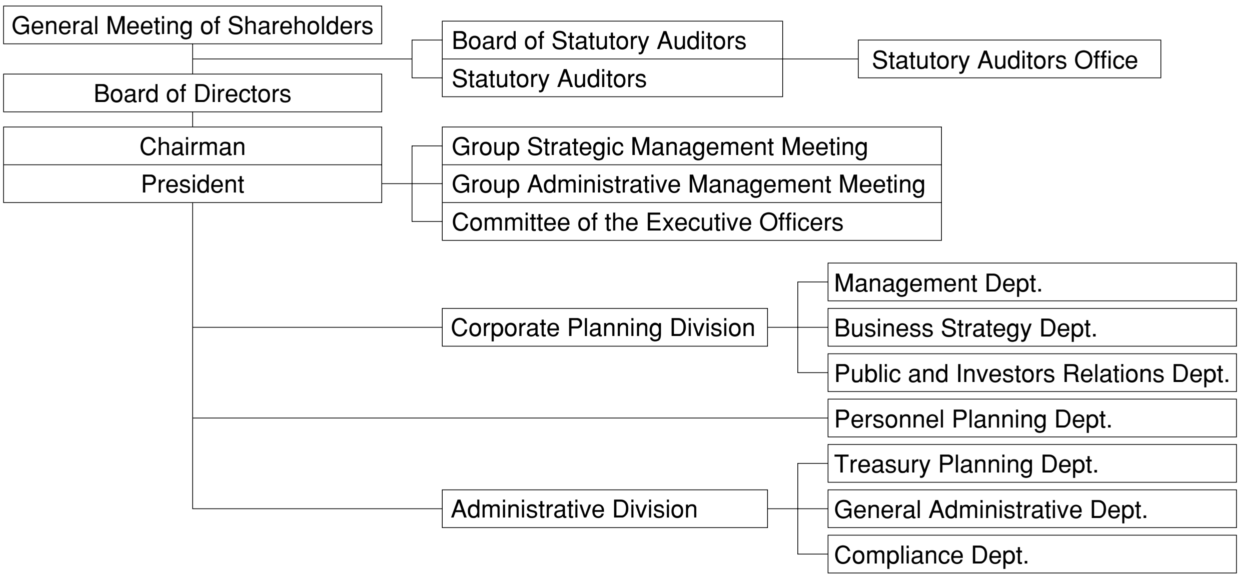
Kenichi Tanaka
Masanori Kanai
Kenjiro Takemiya

Statutory Auditors

Koichi Saku
Hirosuke Minami
Masahiro Ito
Tokio Hiraragi
Yukihiro Asano
Takao Saga

ORGANIZATION CHART

(As of March 31, 2008)



OKASAN HOLDINGS,INC.

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