ANNUAL REPORT

Ending March 31, 2009

OKASAN SECURITIES GROUP INC.

Corporate Profile

Okasan Securities Group is a stand-alone securities company group established in 1923. Headed by the holding company, Okasan Securities Group Inc., it consists of ten domestic companies and one overseas company. Okasan Securities Group is committed to a wide spectrum of securities investment and asset management businesses, through a network of seven domestic and overseas securities firms centering on the core firm, Okasan Securities Co., Ltd. It is also involved in asset-management business, such as investment trusts, information-processing/system-development business, as well as office-support business, such as alternate back-office jobs and temporary staffing.

Taking advantage of nurtured expertise since its inception, Okasan Securities Group engages in unique and community-based “face to face” securities sales activities, and it also provides a cutting-edge online trading environment. We are always ready to offer optimum performances by way of highly sophisticated and professional investment and asset management services, which include the development of innovative products, extensive and abundant market information, and high quality analyst information.

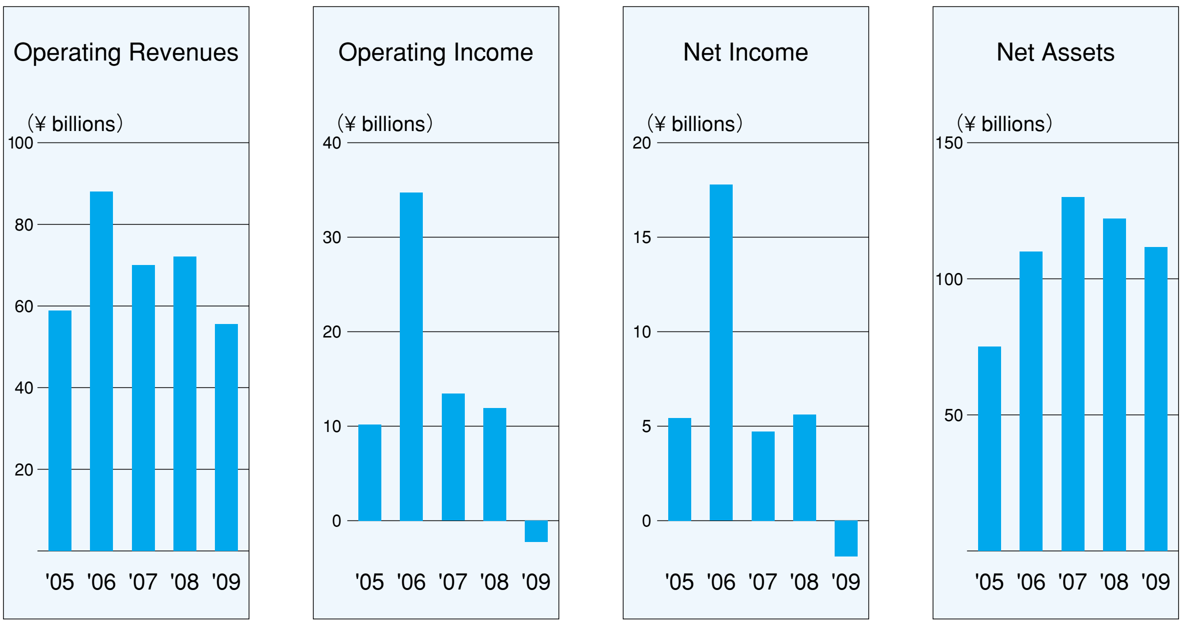
Contents

Consolidated Financial Highlights

Okasan Securities Group Inc. and consolidated Subsidiaries Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars (note)
	2009 (4/1/08～3/31/09)	2008 (4/1/07～3/31/08)	2009 (4/1/08～3/31/09)
Operating revenues	¥55,554	¥72,314	$565,550
Operating income	△2,270	11,929	△23,109
Net income	△1,881	5,620	△19,149
Total assets	424,993	573,510	4,326,509
Net assets	111,525	122,020	1,135,345
Per share of common stock	Yen		U.S.dollars (note)
Basic net income	¥△9.20	¥27.32	$△0.09
Cash dividends applicable to the year	5.00	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 31,2009, which was ¥98.23 to U.S.$1.



Management Policy

Okasan Securities Group 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 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 business plan and progress towards achievement

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), which it is now implementing steadily.

This medium-term business plan positions the three years of the plan 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.

During the first year of the plan, we established Okasan Asset Management Co., Ltd. through the merger of Japan Investment Trust Management Co.,Ltd. and Okasan Capital Management Co., Ltd. in April 2008, so as to strengthen our ability to provide products and investment information.

Additionally, Okasan Securities established the Okasan Global Research Center by restructuring the research department in August 2008, in order to improve investment information logistics.

We have relocated and renovated three branches of Okasan Securities to improve convenience and revitalize those branches. In the Kansai area, we position the Osaka branch as our flagship site for corporate customers and the Umeda branch as the flagship for retail customers.

In IT infrastructure, we have continued to develop our main computer system ODIN (Okasan Database Information Node), as well ensuring a trouble-free shift to digitized stock certificates.

In addition, we have expanded the product lineup and functionality of Okasan Net Trader, the suite of sophisticated computerized securities trading tools provided by Okasan Online Securities.

Furthermore, Okasan Holdings was renamed Okasan Securities Group in October 2008, to establish a common and well-known brand for group companies. The company produced a TV commercial to publicize the new corporate name.

(2) Revision of the medium-term business plan

The company has steadily implemented various initiatives in accordance with the three-year medium-term business plan starting in the year ending March 2009.

However, the operating environment has changed drastically, reflecting turmoil in global financial markets since last autumn and the greatest economic crisis of the century.

The steep decline in stock prices and drastic appreciation of the yen have seriously impacted the financial assets of clients. We see our efforts to ensure recovery in customers' assets as the most important issue for the company. We have therefore decided to suspend the numerical targets in the medium-term business plan.

There has been no change, however, to the essentials of critical basic policies and management philosophy under the plan.

In order to adapt to change in the markets and the operating environment, the company continues to draw up and implement concrete initiatives in accordance with its core strategies, which form the qualitative goals for the medium-term business plan.

— 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

— Main Strategies for the Plan Period —

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. Challenges the Company should address

The operating environment has changed dramatically due to disruption in global financial markets since last autumn. We believe that demand for quality investment advice is growing, because of increasing uncertainty about the future.

In this environment, we believe the high-priority issues are as follows: the implementation of the main strategies discussed above in order to upgrade product and information capabilities and improve marketing activities tailored to the local market by leveraging the characteristics of the regional branch network. By achieving this, the Group aims to establish a business infrastructure able to deliver stable growth regardless of the operating environment.

For this reason, we aim to refine our ability to flexibly provide products and information to meet the needs of each of our customers in order to boost our competitive advantages.

On the other hand, we will continue cost cutting while maintaining forward-looking investment in selected projects that fuel future growth.

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 Strategic Management Meeting”, “Group Administrative Management Meeting”, 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 4 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 Securities Group Inc. and Consolidated Subsidiaries Years ended March 31, 2009 and 2008

I. Analysis of operating results

The Japanese economy continued to expand moderately despite soaring prices for crude oil and other commodities at the beginning of the fiscal year, boosted by robust capital expenditure and exports to Asian countries.

However, the economy began to slow rapidly due to a sharp decline in exports after a major US investment bank failed in mid-September.

Owing to cutbacks in capital expenditure and workforce reductions, real GDP contracted at a double-digit rate of 12.1% (preliminary figure) annualized in October-December 2008.

There were signs that some economic indicators were bottoming out toward the end of the fiscal year. But on the whole, the Japanese economy continued to slow.

In the foreign exchange market, the yen appreciated rapidly because of renewed concern about financial crisis, temporarily rising to ¥87.10 against the dollar on overseas markets on January 21, 2009.

Subsequently, the yen depreciated mainly because of deteriorating fundamentals as the Japanese economy stagnated and the trade balance fell into deficit, and the dollar ended the fiscal year at ¥98.84.

Meanwhile, the yen depreciated against the euro, which almost reached ¥170 in July. However, the yen temporally rose to ¥112.04 against the euro on overseas markets on January 21, 2009, due to the rapid deterioration of the euro-zone economy.

After that, the euro rebounded due to concern about the fundamentals of the yen worsening, ending the fiscal year at ¥130.94.

With concern regarding the financial crisis abroad easing, the Nikkei Stock Average temporarily rose to 14,601.27 on June 6.

However, global financial market turmoil after mid-September caused a global downturn in stock prices, and the Nikkei Stock Average temporarily fell to 6,994.90 on October 28, its lowest point in twenty-six years.

Even though the real economy deteriorated rapidly, the Nikkei index fluctuated thereafter, with strong expectations for aggressive fiscal and monetary policies by the governments of developed countries.

The Nikkei index closed at 8,109.53 at the end of the fiscal year, having declined 35.3% over the year.

The fixed income market fell after mid-April, on rising stock prices in the US and Japan as well as increase in long-term US interest rates. The 10-year JGB yield rose to 1.895% on June 16.

However, after late June, US interest rates declined on growing concern regarding a credit crisis and downturn in the economy. Furthermore, aggressive coordinated cuts in interest rates by the central banks of industrialized countries caused the 10-year JGB yield to turn downwards. Consequently, the 10-year JGB yield dropped to 1.155% on December 30.

Since the beginning of 2009, the 10-year JGB yield has been fluctuating between 1.20% and 1.35% because of concern regarding rising long-term interest rates in the US and in anticipation of deterioration in the supply-demand balance.

In this environment, Okasan Securities, the core member of the Group, focused on the sale of investment trusts and foreign bonds, running various campaigns.

To increase customer assets on deposit and assets under management in investment trusts, Okasan Securities also focused on collecting share certificates that shareholders were keeping at home, in response to the digitization of share certificates introduced in January 2009.

Additionally, Okasan Securities established Okasan Global Research Center by restructuring the research department in August, in order to improve information logistics and to provide a fuller range of investment information.

Meanwhile, Okasan Online Securities a securities company specializing in online trading, improved services by expanding the product lineup and functionality of The Okasan Net Trader, a sophisticated suite of computerized securities trading tools. It also focused on acquiring new accounts by running campaigns and lowering commissions for domestic stock and forex margin transactions.

Despite of these activities, the drastic deterioration of the business environment since October affected earnings. Group gross operating revenues were ¥55,554 million (76.8% compared to the previous year), net operating revenues were ¥53,283 million (76.5% compared to the previous year) and net loss was ¥1,881 million (net income of ¥5,620 million in the previous year).

1. Fees and commissions received

Total fees and commissions received amounted to ¥33,940 million (71.5% compared to the previous year). The breakdown of the major items is shown as follows:

(1) Brokerage commissions

The average daily trading volume (Japanese common stock) on the Tokyo Stock Exchange in the fiscal year was ¥2,211 million shares (97.8% compared to the previous year), and trading value was ¥2,030 billion (69.1% compared to the previous year).

The Group's stock brokerage commissions were ¥12,457 million (65.8% compared to the previous year), affected by the slump in the stock market due to turbulence in global financial markets. Bond brokerage commissions were ¥26 million (112.1% compared to the previous year). Total brokerage commissions including other brokerage commissions, were ¥12,713 million (66.8% compared to the previous year).

(2) Underwriting fees and selling concessions

Equity commissions were ¥139 million (37.5% compared to the previous year), reflecting a significant fall in equity financing transactions in terms of volume and value because of decline in the stock market resulting from economic stagnation.

On the other hand, bond-related commissions were ¥56 million (363.4% compared to the previous year) thanks to a strong performance in underwriting of municipal bonds. As a result, total equity and bond commissions were ¥195 million (50.6% compared to the previous year).

(3) Placement and other commissions

The majority of placement and other commissions is accounted for by investment trusts.

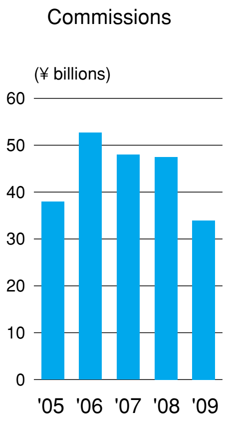
In FY2008, we focused sales efforts on the existing Atlas fund, which has diversified investments in the government bonds of emerging countries, targeting growth in assets under management in sluggish market conditions. We also focused on domestic equities, establishing investment trusts specializing in domestic value stocks and well-known blue chips.

In addition, we expanded our lineup of investment trusts by establishing a range of funds, including a fund with diversified investments in short-term notes denominated in foreign currencies, as well as funds investing in the bonds and equities of the developing countries and domestic notes and bonds.

However, placement and other commissions amounted to ¥10,228 million (66.8% compared to the previous year) because the sales environment for investment trusts deteriorated due to financial-market turbulence.

Other commissions were ¥10,804 million (84.7% compared to the previous year), declining because of deterioration in financial markets. Other commissions consist of management fees for investment trusts and sales commissions on insurance products such as variable annuities.

Fees and Commissions received



Breakdown by category

(Millions of yen except percentage)

	2009<A> (4/1/08～3/31/09)	2008<B> (4/1/07～3/31/08)	Ratio <A>/<B>
Brokerage commissions	¥12,713	¥19,036	66.8
Equities	12,457	18,927	65.8
Bonds	26	23	112.1
Others	230	86	267.1
Underwriting fees and selling concessions	195	385	50.6
Equities	139	370	37.5
Bonds	56	15	363.4
Placement commissions	10,228	15,320	66.8
Other commissions	10,804	12,756	84.7
Total	¥33,940	¥47,497	71.5

Breakdown by Product

(Millions of yen except percentage)

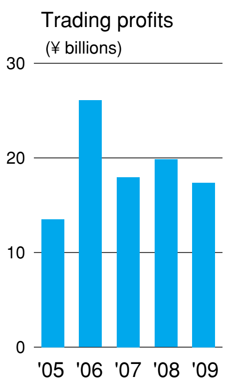
	2008<A> (4/1/08～3/31/09)	2007<B> (4/1/07～3/31/08)	Ratio <A>/<B>
Equities	¥12,859	¥19,607	65.6
Bonds	283	222	127.8
Investment trusts	19,629	26,510	74.0
Others	1,169	1,158	100.9
Total	¥33,940	¥47,497	71.5

2. Trading profits

The global downturn in stocks and the steep appreciation of the yen caused decline in gains from the trading of domestic shares and foreign equities. Consequently, profits from trading equities were ¥3,834 million (52.7% compared to the previous year).

On the contrary, income from bond trading was ¥13,394 million (106.1% compared to the previous year), due to a rise in large-lot transactions in domestic bonds and an increase in sales of foreign bonds to retail customers.

As a result, trading profits were ¥17,364 million (87.0% compared to the previous year) including other trading income of ¥136 million (227.2% compared to the previous year).



Trading profits

(Millions of yen except percentage)

	2009<A> (4/1/08～3/31/09)	2008<B> (4/1/07～3/31/08)	Ratio <A>/<B>
Equities, etc.	¥ 3,834	¥ 7,279	52.7
Bonds, etc.	13,394	12,618	106.1
Others	136	60	227.2
Total	¥17,364	¥19,957	87.0

3. Net financial income

Interest and dividend income was ¥2,587 million (74.8% compared to the previous year), and interest expenses were ¥2,271 million (84.9% compared to the previous year). As a result, net financial income was ¥316 million (40.4% compared to the previous year).

4. Other operating income

Operating income from operations other than the securities-related business was ¥1,663 million (118.7% compared to the previous year).

5. Selling, general and administrative expenses

Selling, general and administrative expenses were ¥55,554 million (96.3% compared to the previous year), mainly due to decline in trading related expenses and personnel expenses.

6. Other income (expenses)

Net of other income and expenses was ¥1,210 million, decreased by ¥1,619 million, mainly due to a decrease in amortization of negative goodwill and an increase in loss on devaluation of investment securities.

7. Dividends

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.

For fiscal 2009 we proposed a ¥5 dividend per share to shareholders, according to the dividend policy mentioned above.

II. Analysis of financial position

1. Cash flows

Cash and cash equivalents ("funds") rose ¥5,131 million from the end of the previous fiscal year, to ¥33,977 million (117.8% compared to the previous year) at the end of the fiscal year. Cash flows and important factors in cash flows are shown below:

<Cash flows from operating activities>

Operating activities generated a cash inflow of ¥49,510 million (1,004.8% compared to the previous year) mainly due to a decrease in the net balance of loans secured by securities and loans payable secured by securities of ¥23,624 million and a decrease in the net balance of margin transaction assets and margin transaction liabilities of ¥20,453 million.

<Cash flows from investing activities>

Investing activities produced a cash outflow of ¥2,387 million (37.6% compared to the previous year). Outflows included ¥3,340 million intangible-asset acquisitions and ¥873 million tangible-asset acquisitions, and were partly offset by inflows that included proceeds from the sale of investment securities of ¥2,072 million.

<Cash flows from financing activities>

Financing activities resulted in a cash outflow of ¥41,951 million (¥3,328 million inflow last year), primarily because of a decrease in short-term borrowings.

Consolidated Balance Sheets

Okasan Securities Group Inc. and Consolidated Subsidiaries － At March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars (note 3)
	2009	2008	2009
ASSETS			
Current assets:			
Cash on hand and in banks (notes 11 and 20)	¥ 40,651	¥ 36,277	$ 413,835
Cash segregated as deposits for customers and others	29,249	17,934	297,760
Trading assets (notes 4 and 11)	115,168	196,543	1,172,432
Receivables arising from unsettled trades	9,778	-	99,542
Receivables on margin transactions (note 5)	31,368	53,672	319,332
Receivables on collateralized securities transactions (note 6)	131,796	199,830	1,341,708
Short-term investments (notes 7 and 11)	2,179	1,173	22,183
Deferred income taxes (note 12)	1,983	1,232	20,187
Other current assets	12,556	8,543	127,823
Allowance for doubtful accounts	(22)	(50)	(224)
Total current assets	374,706	515,154	3,814,578
Property and equipment, net of accumulated depreciation of ¥10,281 million ($104,663 thousand) in 2009 and ¥9,926 million in 2008 (notes 9 and 11)	15,927	15,457	162,140
Intangible assets, net (note 9)	9,551	7,217	97,231
Investments and other assets:			
Investment securities (notes 7, 8 and 11)	16,613	27,112	169,123
Long-term guarantee deposits	3,282	3,463	33,411
Deferred income taxes (note 12)	2,992	3,384	30,459
Other	3,760	3,649	38,278
Allowance for doubtful accounts	(1,838)	(1,926)	(18,711)
Total investments and other assets	24,809	35,682	252,560
TOTAL	¥ 424,993	¥ 573,510	$ 4,326,509

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets－*(Continued)*

Okasan Securities Group Inc. and Consolidated Subsidiaries － At March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars (note 3)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities (note 4)	¥ 105,041	¥ 159,426	$ 1,069,337
Payables arising from unsettled trades	-	4,163	-
Payables on margin transactions (notes 5 and 11)	18,705	20,556	190,421
Payables on collateralized securities transactions (note 6)	37,638	82,049	383,162
Deposits received	15,447	12,810	157,254
Guarantee deposits received	21,384	11,687	217,693
Short-term borrowings (notes 10 and 11)	87,065	123,106	886,338
Income tax payables (note 12)	323	2,817	3,288
Other current liabilities (note 12)	4,774	5,503	48,600
Total current liabilities	290,377	422,117	2,956,093
Non-current liabilities:			
Long-term borrowings (notes 10 and 11)	11,379	14,145	115,840
Lease liabilities (note 10)	365	-	3,716
Deferred income taxes (note 12)	1,948	4,359	19,831
Retirement and severance benefits (note 13)	6,113	6,323	62,232
Other non-current liabilities	2,769	3,108	28,189
Total non-current liabilities	22,574	27,935	229,808
Financial instruments transactions reserve (note 14)	517	-	5,263
Reserve for securities transactions (note 14)	-	1,438	-
Total liabilities	313,468	451,490	3,191,164
Net assets			
Shareholders' equity (note 15):			
Common stock			
Authorized－750,000,000 shares in 2009 and 2008			
Issued－208,214,969 shares in 2009 and 2008	18,590	18,590	189,249
Capital surplus	12,919	12,944	131,518
Retained earnings	63,583	68,479	647,287
Treasury stock, at cost, 3,802,640 shares in 2009 and 3,678,208 shares in 2008	(1,859)	(1,856)	(18,925)
Total shareholders' equity	93,233	98,157	949,129
Valuation and translation adjustments:			
Unrealized gain on other securities (note 7)	3	4,221	31
Surplus on land revaluation (note 16)	235	197	2,392
Foreign currency translation adjustments	(321)	(276)	(3,268)
Total valuation and translation adjustments	(83)	4,142	(845)
Minority interests	18,375	19,721	187,061
Total net assets	111,525	122,020	1,135,345
Commitments and contingencies (note 21)			
TOTAL	¥ 424,993	¥ 573,510	$ 4,326,509

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars (note 3)
	2009	2008	2009
Operating revenues:			
Commissions	¥ 33,940	¥ 47,497	$ 345,515
Net gain on trading	17,364	19,957	176,769
Interest and dividend income	2,587	3,459	26,336
Service fee and other revenues	1,663	1,401	16,930
	55,554	72,314	565,550
Interest expense	2,271	2,675	23,119
Net operating revenues	53,283	69,639	542,431
Selling, general and administrative expenses (note18)	55,553	57,710	565,540
Operating income (loss)	(2,270)	11,929	(23,109)
Other income (expenses):			
Dividend income	427	643	4,347
Amortization of negative goodwill	684	2,165	6,963
Interest expense	(144)	(187)	(1,466)
Gain on sale of investment securities	637	152	6,485
Gain on sale of a subsidiary	-	606	-
Loss on devaluation of investment securities	(1,013)	(518)	(10,313)
Reversal of reserve for securities transactions	920	-	9,366
Provision for reserve for securities transactions	-	(249)	-
Equity in income of an affiliated company	-	2	-
Other, net	(301)	215	(3,064)
	1,210	2,829	12,318
Income (loss) before income taxes and minority interests	(1,060)	14,758	(10,791)
Income taxes (note 12):			
Current	569	5,619	5,793
Deferred	138	2,189	1,405
	707	7,808	7,198
Minority interests	114	1,330	1,160
Net income (loss)	¥ (1,881)	¥ 5,620	$ (19,149)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2009 and 2008

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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
Changes arising during the year:					
Decrease resulting from a change in interest in consolidated subsidiaries		(4)			(4)
Cash dividends			(3,015)		(3,015)
Net loss			(1,881)		(1,881)
Purchase of treasury stock				(98)	(98)
Disposition of treasury stock		(21)		131	110
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	-	(25)	(4,896)	(3)	(4,924)
Balances at March 31, 2009	¥ 18,590	¥ 12,919	¥ 63,583	¥ (1,859)	¥ 93,233

	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, 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 a change in interest in consolidated subsidiaries						(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
Changes arising during the year:						
Decrease resulting from a change in interest in consolidated subsidiaries						(4)
Cash dividends						(3,015)
Net loss						(1,881)
Purchase of treasury stock						(98)
Disposition of treasury stock						110
Changes of treasury stock arising from a change in interest in consolidated subsidiaries						(36)
Net changes other than shareholders' equity	(4,218)	38	(45)	(4,225)	(1,346)	(5,571)
Total changes during the year	(4,218)	38	(45)	(4,225)	(1,346)	(10,495)
Balances at March 31, 2009	¥ 3	¥ 235	¥ (321)	¥ (83)	¥ 18,375	¥ 111,525

	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, 2008	$ 189,249	$ 131,772	$ 697,129	$ (18,894)	$ 999,256
Changes arising during the year:					
Decrease resulting from a change in interest in consolidated subsidiaries		(40)			(40)
Cash dividends			(30,693)		(30,693)
Net loss			(19,149)		(19,149)
Purchase of treasury stock				(998)	(998)
Disposition of treasury stock		(214)		1,334	1,120
Changes of treasury stock arising from a change in interest in consolidated subsidiaries				(367)	(367)
Net changes other than shareholders' equity					
Total changes during the year	-	(254)	(49,842)	(31)	(50,127)
Balances at March 31, 2009	$ 189,249	$ 131,518	$ 647,287	$ (18,925)	$ 949,129

	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, 2008	$ 42,971	$ 2,005	$ (2,810)	$ 42,166	$ 200,764	$1,242,186
Changes arising during the year:						
Decrease resulting from a change in interest in consolidated subsidiaries						(40)
Cash dividends						(30,693)
Net loss						(19,149)
Purchase of treasury stock						(998)
Disposition of treasury stock						1,120
Changes of treasury stock arising from a change in interest in consolidated subsidiaries						(367)
Net changes other than shareholders' equity	(42,940)	387	(458)	(43,011)	(13,703)	(56,714)
Total changes during the year	(42,940)	387	(458)	(43,011)	(13,703)	(106,841)
Balances at March 31, 2009	$ 31	$ 2,392	$ (3,268)	$ (845)	$ 187,061	$1,135,345

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars (note 3)
	2009	2008	2009
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (1,060)	¥ 14,758	$ (10,791)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,115	1,736	21,531
Interest and dividend income	(3,033)	(4,127)	(30,876)
Interest expense	2,415	2,862	24,585
Gain on sale of investment securities	(392)	(134)	(3,991)
Loss on devaluation of investment securities	1,012	518	10,302
Gain on sale of a subsidiary	-	(467)	-
Amortization of negative goodwill	(684)	(2,165)	(6,963)
Decrease (increase) in deposits segregated for customer	(11,350)	12,740	(115,545)
Decrease (increase) in trading assets and increase (decrease) in trading liabilities	13,049	(11,083)	132,841
Decrease (increase) in receivables on margin transactions and increase (decrease) in payables on margin transactions	20,453	37,760	208,215
Decrease (increase) in receivables on collateralized securities transactions and increase (decrease) in payables on collateralized securities transactions	23,624	(34,450)	240,497
Increase (decrease) in deposits received	2,664	(6,959)	27,120
Decrease (increase) in short-term guarantee deposits and increase (decrease) in guarantee deposits received	-	(3,853)	-
Decrease (increase) in short-term guarantee deposits	(2,008)	-	(20,441)
Increase (decrease) in guarantee deposits received	9,697	-	98,717
Increase (decrease) in allowance for doubtful accounts	59	294	601
Increase (decrease) in retirement and severance benefits	(258)	(531)	(2,626)
Increase (decrease) in reserve for securities transactions	-	249	-
Increase (decrease) in financial instruments transactions reserve	(920)	-	(9,366)
Other, net	(1,525)	1,013	(15,525)
Sub-total	53,858	8,161	548,285
Interest and dividend received	3,457	4,124	35,193
Interest paid	(2,427)	(2,851)	(24,708)
Income taxes paid	(5,378)	(4,507)	(54,749)
Net cash provided by operating activities	49,510	4,927	504,021

	Millions of yen		Thousands of U.S.dollars (note 3)
	2009	2008	2009
Cash flows from investing activities:			
Payment for purchase of property and equipment	(873)	(1,111)	(8,887)
Payment for intangible assets	(3,340)	(3,815)	(34,002)
Payment for investment securities	(513)	(2,473)	(5,222)
Proceeds from sale of investment securities	2,072	3,059	21,093
Payment for investments in affiliates	(461)	(1,662)	(4,693)
Other, net	728	(343)	7,411
Net cash used in investing activities	(2,387)	(6,345)	(24,300)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(34,944)	7,223	(355,737)
Proceeds from long-term borrowings	-	8,620	-
Payments on long-term borrowings	(3,848)	(8,482)	(39,173)
Proceeds from sale of treasury stock	-	5,029	-
Purchase of treasury stock	(98)	(5,798)	(998)
Dividends paid to shareholders	(3,015)	(3,035)	(30,693)
Dividends paid to minority shareholders of subsidiaries	(46)	(229)	(468)
Net cash provided by (used in) financing activities	(41,951)	3,328	(427,069)
Effect of exchange rate changes on cash and cash equivalents	(41)	(341)	(417)
Net increase in cash and cash equivalents	5,131	1,569	52,235
Cash and cash equivalents, beginning of year	28,846	24,921	293,657
Cash and cash equivalents of newly consolidated subsidiaries	-	2,356	-
Cash and cash equivalents, end of year (note 20)	¥ 33,977	¥ 28,846	$ 345,892

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Securities Group Inc. and Consolidated Subsidiaries ― Years ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of Okasan Securities Group Inc. (the "Company"), formerly named as Okasan Holdings, Inc a Japanese corporation, and its subsidiaries. Okasan Holdings, Inc. has changed its name

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.
Previously, a company could use the financial statements of its foreign subsidiaries which have been prepared in conformity with financial accounting standards of the countries of their domicile. From the year ended March 31, 2009, the Company adopted "Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006). This PITF requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material.

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, 2009 include the accounts of the Company and its 11 subsidiaries (14 subsidiaries in 2008). There are no affiliates accounted for by equity method in 2009 and 2008.

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 15 years for equipment.

From the year ended March 31, 2008, 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.
From the year ended March 31, 2008, 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.

k. ***Leases*** − Previously, finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for similarly to operating leases. On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. The revised accounting standards are permitted to be adopted for fiscal years beginning on or after April 1, 2008. From the year ended March 31, 2009, the Company adopted the revised accounting standards. The revised accounting standards require that all finance lease transactions shall be capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to the initial fiscal year in which these new accounting standards apply, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses. As a result of the change, operating loss increased by ¥6 million ($61 thousand) and loss before income taxes and minority interests increased by ¥16 million ($163 thousand).

l. ***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.

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*** − Directors' bonuses are accounted for as an expense when such bonuses are accrued.

o. ***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, 2009.

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, 2009, which was ¥98.23 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, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Trading assets:			
Equity securities and warrants	¥ 176	¥ 628	$ 1,792
Government, corporate and other bonds	114,974	190,806	1,170,457
Commercial paper and certificates of deposit	-	5,099	-
Derivatives	18	10	183
	¥ 115,168	¥ 196,543	$ 1,172,432

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Trading liabilities:			
Equity securities and warrants	¥ 127	¥ 438	$ 1,293
Government, corporate and other bonds	104,900	158,879	1,067,902
Commercial paper and certificates of deposit	-	100	-
Derivatives	14	9	142
	¥ 105,041	¥ 159,426	$ 1,069,337

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Assets:			
Loans receivable from customers	¥ 20,258	¥ 47,481	$ 206,230
Cash deposits as collateral for securities borrowed from securities finance companies	11,110	6,191	113,102
	¥ 31,368	¥ 53,672	$ 319.332
Liabilities:			
Borrowings from securities finance companies	¥ 6.663	¥ 11,958	$ 67.831
Proceeds from securities sold for customers' accounts	12.042	8,598	122.590
	¥ 18,705	¥ 20,556	$ 190.421

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, 2009 and 2008 consist of the following

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Assets:			
Securities borrowed transactions	¥ 131,796	¥ 199,730	$ 1,341,708
Buy Gensaki transactions	-	100	-
	¥ 131,796	¥ 199,830	$ 1,341,708
Liabilities:			
Securities loaned transactions	¥ 37,638	¥ 76,951	$ 383,162
Sell Gensaki transactions	-	5,098	-
	¥ 37,638	¥ 82,049	$ 383,162

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, 2009 and 2008 is summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2009				
Current:				
Government, corporate and other bonds	¥ 1,595	¥ -	¥ (78)	¥ 1,517
Beneficiary certificates and other	674	20	(32)	662
	¥ 2,269	¥ 20	¥ (110)	¥ 2,179
Non-current:				
Equity securities	¥ 11,831	¥ 2,563	¥ (2,189)	¥ 12,205
Government, corporate and other bonds	894	14	-	908
Beneficiary certificates and other	418	53	(30)	441
	¥ 13,143	¥ 2,630	¥ (2,219)	¥ 13,554
At March 31, 2008				
Current:				
Government, corporate and other bonds	¥ 901	¥ -	¥ (1)	¥ 900
Beneficiary certificates and other	288	27	(42)	73
	¥ 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

	Thousands of U.S.dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2009				
Current:				
Government, corporate and other bonds	$ 16,237	$ -	$ (794)	$ 15,443
Beneficiary certificates and other	6,862	204	(326)	6,740
	$ 23,099	$ 204	$ (1,120)	$ 22,183
Non-current:				
Equity securities	$ 120,442	$ 26,092	$ (22,285)	$ 124,249
Government, corporate and other bonds	9,101	143	-	9,244
Beneficiary certificates and other	4,255	539	(305)	4,489
	$ 133,798	$ 26,774	$ (22,590)	$ 137,982

Securities classified as available-for-sale securities for which fair value is not available are unlisted equity securities amounting to ¥2,737 million ($27,863 thousand) and ¥2,957 million, and investments in limited partnership and similar partnership amounting to ¥322 million ($3,278 thousand) and ¥318 million at March 31, 2009 and 2008, respectively.

Projected future redemption of available-for-sale securities with maturities at March 31, 2009 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	¥ 200	¥ -	¥ 308	¥ -
Corporate bond securities	-	301	-	-
Other debt securities	1,317	299	-	-
Beneficiary certificates and other	417	198	54	-
Total	¥ 1,934	¥ 798	¥ 362	¥ -

	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	$ 2,036	$ -	$ 3,135	$ -
Corporate bond securities	-	3,064	-	-
Other debt securities	13,407	3,044	-	-
Beneficiary certificates and other	4,245	2,016	550	-
Total	$ 19,688	$ 8,124	$ 3,685	$ -

For the years ended March 31, 2009 and 2008, proceeds from sales of other securities are ¥2,072 million ($21,093 thousand) and ¥3,059 million, the gross realized gains are ¥637million ($6,485 thousand) and ¥152 million, and the gross realized losses are ¥244 million ($2,484 thousand) and ¥18 million, respectively.

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2009 and 2008 are ¥22 million ($224 thousand) and ¥22 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, 2009.

Location	Usage	Description	Millions of yen	Thousands of U.S.dollars
Chuo-ku, Tokyo and 1 other location	Operation branch	Buildings	¥ 15	$ 153
		Furniture and fixtures	10	102
		Leased assets	6	61
Chuo-ku, Tokyo	Business asset	Software etc.	16	163

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 operation branches because its performance was so weak and no recovery is expected. Their book values were reduced to the respective net realizable value of each asset. The net realizable value of the operation branches is estimated zero because no conversion or sale is expected. The net realizable value of the business assets is estimated by the value in use and is estimated zero because the estimated future cash flow is minus.

10. BORROWINGS

The weighted-average interest rates applicable to the short-term borrowings are 0.97% and 1.29% at March 31, 2009 and 2008, respectively.
Long-term borrowings at March 31, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Borrowings, maturing in installments through 2014; bearing weighted average interest of 2.97% and 2.95% at March 31, 2009 and 2008, respectively	¥ 16,145	¥ 19,994	$ 164,359
Lease liabilities maturing in installments through 2014; bearing weighted average interest of 3.71% at March 31, 2009	471	-	4,795
	16,616	19,994	169,154
Less current installments:			
Borrowings	4,766	5,849	48,519
Lease liabilities	106	-	1,079
	¥ 11,744	¥ 14,145	$ 119,556

(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 Concerning Financial Instruments Business" (the Prime Minister's Office Ordinance No. 52, 2007) as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Current installments of long-term borrowings	¥ 2,700	¥ 2,450	$ 27,487
Long-term borrowings	6,350	8,050	64,644

Annual maturities of borrowings after March 31, 2010, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2011	¥ 9,318	$ 94,859
2012	1,997	20,330
2013	47	478
2014	9	92

Annual maturities of lease liabilities after March 31, 2010, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2011	¥ 110	$ 1,120
2012	114	1,161
2013	103	1,049
2014	35	356

To meet its liquidity needs stably and expeditiously and to strengthen financial operations, the Company established a ¥24,000 million ($244,325 thousand) commitment line contracts with 10 financial institutions at March 31, 2009 and a ¥26,000 million commitment line contracts with 11 financial institutions at March 31, 2008. There were no borrowings under the commitment line contracts both at March 31, 2009 and 2008.

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, 2009 and 2008, the carrying value of assets pledged is as follows:

	Millions of yen				Thousands of U.S.dollars	
	2009		2008		2009	
Cash in banks	¥	6,255	¥	6,206	$	63,677
Trading assets		25,041		15,892		254,922
Short-term investments		642		-		6,536
Property and equipment		9,640		9,532		98,137
Investment securities		12,749		16,509		129,787
	¥	54,327	¥	48,139	$	553,059

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

	Millions of yen				Thousands of U.S.dollars	
	2009		2008		2009	
Short-term borrowings	¥	36,275	¥	31,052	$	369,286
Borrowings from securities finance companies		2,539		1,103		25,848
Long-term borrowings		5,029		3,955		51,196
	¥	43,843	¥	36,110	$	446,330

In addition to above, at March 31, 2009, trading assets, etc. amounting to ¥36,824million ($374,875 thousand) and ¥101 million ($1,028 thousand) are deposited as guarantee for settlement of trading accounts and securities borrowed, respectively. At March 31, 2008, trading assets, etc. amounting to ¥68,232 million and ¥3,542 million are deposited as guarantee for settlement of trading accounts and securities borrowed, respectively.

The fair value of the securities pledged as collateral at March 31, 2009 and 2008, except for those disclosed in the above table, are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2009		2008		2009	
Securities loaned on margin transactions	¥	12,761	¥	8,226	$	129,909
Securities pledged for borrowings on margin transactions		6,187		11,642		62,985
Securities loaned		37,858		77,276		385,402
Securities sold on Gensaki transactions		-		5,100		-
Other		20,749		37,676		211,229
	¥	77,555	¥	139,920	$	789,525

The fair value of the securities received as collateral at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Securities received on margin transactions	¥ 17,659	¥ 38,058	$ 179,772
Securities borrowed	131,183	204,532	1,335,468
Securities pledged as collateral	33,078	52,857	336,740
Other	11,820	8,060	120,330
	¥ 193,740	¥ 303,507	$ 1,972,310

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 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Deferred tax assets:			
Tax loss carryforwards	¥ 3,899	¥ 1,359	$ 39,693
Retirement and severance benefits (employees)	1,981	2,098	20,167
Accrued bonuses	527	667	5,365
Retirement and severance benefits (directors and corporate auditors)	495	464	5,039
Allowance for doubtful accounts	439	566	4,469
Impairment loss	399	399	4,062
Depreciation and amortization	233	214	2,372
Financial instruments transactions reserve	210	-	2,138
Reserve for securities transactions	-	583	-
Loss on devaluation of investment securities	157	434	1,598
Accrued business tax	36	266	367
Unrealized loss on other securities	117	73	1,191
Other	574	710	5,843
	9,067	7,833	92,304
Valuation allowance	(3,651)	(2,565)	(37,168)
Total	5,416	5,268	55,136
Deferred tax liabilities:			
Unrealized gain on other securities	(209)	(3,097)	(2,128)
Land revaluation excess	(1,879)	(1,879)	(19,128)
Other	(339)	(103)	(3,451)
Total	(2,427)	(5,079)	(24,707)
Net deferred tax assets (liabilities)	¥ 2,989	¥ 189	$ 30,429

Net deferred tax liabilities at March 31, 2009 and 2008 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Current assets − Deferred income taxes	¥ 1,983	¥ 1,232	$ 20,187
Investments and other assets − Deferred income taxes	2,992	3,384	30,459
Current liabilities − Other current liabilities	(38)	(68)	(386)
Non-current liabilities − Deferred income taxes	(1,948)	(4,359)	(19,831)
	¥ 2,989	¥ 189	$ 30,429

The reconciliation for the year ended March 31, 2009 is omitted because loss before income taxes and minority interests are recorded.

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, 2008 was as follows:

	2008
Statutory tax rate	40.5 %
Expenses not deductible for tax purposes	1.4
Income not credited for tax purposes	(0.5)
Per capita tax	0.5
Tax loss carryforwards	14.0
Other	(3.0)
Effective tax rate	52.9 %

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.

The funded status of retirement and pension plans at March 31, 2009 and 2008 consist of the followings:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Projected benefit obligations	¥ (12,201)	¥ (12,129)	$ (124,208)
Fair value of plan assets	6,143	7,006	62,537
Unrecognized actuarial gain	1,167	(56)	11,880
Amount recognized in the consolidated balance sheets	¥ (4,891)	¥ (5,179)	$ (49,791)

The components of net periodic benefit cost for the years ended March 2009 and 2008 are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2009		2008		2009	
Service cost	¥	593	¥	551	$	6,037
Interest cost		237		233		2,413
Expected return on plan assets		(33)		(35)		(336)
Recognized actuarial loss		(238)		(459)		(2,423)
		559		290		5,691
Contributions to the defined contribution plan		185		182		1,883
	¥	744	¥	472	$	7,574

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
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 ¥1,222 million ($12,440 thousand) and ¥1,144 million at March 31, 2009 and 2008, respectively.

14. FINANCIAL INSTRUMENTS TRANSACTIONS RESERVE

The Financial Instruments and Exchange Law of Japan requires a securities company to set aside a reserve in proportion to its securities and other related trading or derivative transactions to cover possible customer losses incurred by default of the securities company on securities or derivative transactions. Financial instruments transactions reserve, which was formerly stated as reserve for securities transactions calculated based on Article 51 of the Securities and Exchange Law and Article 35 of the Cabinet Office Ordinance Concerning Securities Companies, is calculated based on Article 46-5 of the of the Financial Instruments and Exchange Law and Article 175 of the Cabinet Office Ordinance Concerning Financial Instruments Business. As a result of the change, loss before income taxes and minority interests decreased by ¥778 million ($7,920 thousand).

15. SHAREHOLDERS' EQUITY

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, 2009 and 2008 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, 2008 which was approved by the General Meeting of Shareholders held on June 28, 2007 are as follows:

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

Dividends paid during the year ended March 31, 2009 which was approved by the General Meeting of Shareholders held on June 27, 2008 are as follows:

(a) Total dividends	¥3,111 million
(b) Cash dividends per common share	¥15
(c) Record date	March 31, 2008
(d) Effective date	June 30, 2008

Dividends to be paid after the balance sheet date but the record date for the payment belong to the year ended March 31, 2009 which was approved by the General Meeting of Shareholders held on June 26, 2009 are as follows:

(a) Total dividends	¥1,030 million ($10,486 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥5 ($0.05)
(d) Record date	March 31, 2009
(e) Effective date	June 29, 2009

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 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.

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 397.5% and 367.2% at March 31, 2009 and 2008, respectively.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Commissions and brokerage	¥ 10,326	¥ 10,627	$ 105,121
Employees' compensation and benefits	27,713	30,639	282,123
Occupancy and rental	6,834	6,183	69,572
Data processing and office supplies	5,672	4,681	57,742
Depreciation and amortization	2,115	1,736	21,531
Taxes other than income taxes	594	658	6,047
Reserve for doubtful accounts	-	280	-
Other	2,299	2,906	23,404
	¥ 55,553	¥ 57,710	$ 565,540

19. PER SHARE INFORMATION

(a) Net Income (Loss) per Share

Basic net income (loss) 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, 2009 and 2008 are as follows:

	Yen		U.S. dollars
	2009	2008	2009
Basic net income (loss) per share	¥ (9.20)	¥ 27.32	$ (0.09)

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Net income (loss)	¥ (1,881)	¥ 5,620	$ (19,149)
Net income (loss) not applicable to common shareholders	-	-	-
Net income (loss) applicable to common shareholders	¥ (1,881)	¥ 5,620	$ (19,149)

	Number of shares (Thousand)	
	2009	2008
Weighted average number of shares outstanding on which basic net income (loss) per share is calculated	204,501	205,711

(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, 2009 and 2008 are as follows:

	Yen		U.S. dollars
	2009	2008	2009
Net assets per share	¥ 455.70	¥ 500.15	$ 4.64

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Total net assets	¥ 111,525	¥ 122,020	$ 1,135,346
Amount deducted from total net assets:			
Minority interests	18,375	19,721	187,061
Net assets applicable to common stockholders	¥ 93,150	¥ 102,299	$ 948,285

	Number of shares (Thousand)	
	2009	2008
Number of shares outstanding at the end of year on which net assets per share is calculated	204,412	204,537

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 at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash on hand and in banks	¥ 40,651	¥ 36,277	$ 413,835
Time deposits that have maturities of over three months when acquired	(6,674)	(7,431)	(67,943)
Cash and cash equivalents	¥ 33,977	¥ 28,846	$ 345,892

21. COMMITMENTS AND CONTINGENCIES

At March 31, 2009 and 2008, the Company and certain subsidiaries have guaranteed approximately ¥192 million ($1,955 thousand) and ¥225 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

(a) Finance Lease

Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized at March 31, 2009 and 2008 are as follows, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2009			2008		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 2,350	¥ 2,763	¥ 5,113	¥ 3,108	¥ 2,807	¥ 5,915
Accumulated depreciation	1,427	1,671	3,098	2,016	1,075	3,091
Impairment loss	1	-	1	-	-	-
Net carrying amount	¥ 922	¥ 1,092	¥ 2,014	¥ 1,092	¥ 1,732	¥ 2,824

	Thousands of U.S. dollars		
	2009		
	Furniture and Fixtures	Software	Total
Acquisition cost	$ 23,923	$ 28,128	$ 52,051
Accumulated depreciation	14,527	17,011	31,538
Impairment loss	10	-	10
Net carrying amount	$ 9,386	$ 11,117	$ 20,503

Future minimum payments required under finance leases at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Due within one year	¥ 924	¥ 1,056	$ 9,407
Due after one year	1,162	1,883	11,829
	¥ 2,086	¥ 2,939	$ 21,236

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Lease payments	¥ 1,166	¥ 1,202	$ 11,870
Reversal of accumulated impairment loss	5	-	51
Depreciation equivalents	1,041	1,131	10,598
Interest expense equivalents	88	82	896
Impairment loss	6	-	61

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

(b) Operating Lease

Future minimum lease payments required under noncancellable operating leases as of March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S.dollars
Within one year	¥ 4	$ 41
Over one year	5	51
	¥ 9	$ 92

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 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, 2009 and 2008 are summarized as follows:

	Millions of yen		
At March 31, 2009	Contract or notional amounts	Fair value	Valuation gain (loss)
Bond futures:			
Written	¥ 138	¥ 138	¥ -
Purchased	553	553	-
Forward foreign exchange:			
Written:			
U.S. dollar	335	336	(1)
Other	3,206	3,191	15
Purchased:			
U.S. dollar	90	90	-
Euro	5	5	-
Other	1,950	1,998	48
At March 31, 2008			
Stock index futures:			
Written	¥ 363	¥ 365	¥ (2)
Purchased	378	375	(3)
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

	Thousands of U.S. dollars		
At March 31, 2009	Contract or notional amounts	Fair value	Valuation gain (loss)
Bond futures:			
Written	$ 1,405	$ 1,405	$ -
Purchased	5,630	5,630	-
Forward foreign exchange:			
Written:			
U.S. dollar	3,410	3,420	(10)
Other	32,638	32,485	153
Purchased:			
U.S. dollar	916	916	-
Euro	51	51	-
Other	19,851	20,340	489

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, 2009 and 2008 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
At March 31, 2009			
Interest rate swaps:			
Variable rate received for fixed rate	¥ 650	¥ (10)	¥ (10)
Commodity futures:			
Written	5	5	-
Purchased	4	5	1
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	-

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
At March 31, 2009			
Interest rate swaps:			
Variable rate received for fixed rate	$ 6,617	$ (102)	$ (102)
Commodity futures:			
Written	51	51	-
Purchased	41	51	10

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, 2009 and 2008.

(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, 2009 and 2008.

Toyo Horwath
Member Horwath International

Toyo Horwarth
7,Kandamitoshirocho,
Chiyoda-Ku,Tokyo 101-0053 Japan
+81-3-3295-1040 Main
+81-3-3295-1993 Fax
E-Mail:info@toyo.or.jp
www.toyo.or.jp

Independent Auditors' Report

To the Board of Directors of
Okasan Securities Group Inc.:

We have audited the accompanying consolidated balance sheets of Okasan Securities Group Inc. and consolidated subsidiaries as of March 31,2009 and 2008, and 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 financial position of Okasan Securities Group Inc. and consolidated subsidiaries as of March 31,2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31,2009 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

Toyo Horwath
Tokyo, Japan
June 29,2009

REFERENCE DATA

Balance Sheets

Okasan Securities Co., Ltd. As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 6,557	¥ 6,680	$ 66,752
Cash segregated as deposits for customers and others	11,363	12,863	115,677
Trading assets	115,092	196,276	1,171,658
Receivables arising from unsettled trades	9,706	-	98,809
Receivables on margin transactions	19,423	46,941	197,730
Receivables on collateralized securities transactions	131,796	199,830	1,341,708
Short-term guarantee deposits	2,639	3,168	26,866
Investment in parent	-	707	-
Deferred income taxes	1,729	963	17,602
Other current assets	3,331	2,911	33,910
Allowance for doubtful accounts	(20)	(48)	(204)
Total current assets	301,616	470,291	3,070,508
Property and equipment, net of accumulated depreciation	1,587	1,462	16,156
Intangible assets, net	204	179	2,077
Investments and other assets:			
Investment securities	879	565	8,948
Long-term guarantee deposits	3,184	3,051	32,414
Deferred income taxes	1,937	2,733	19,719
Other	1,776	2,002	18,080
Allowance for doubtful accounts	(1,260)	(1,411)	(12,827)
Total investments and other assets	6,516	6,940	66,334
TOTAL	¥ 309,923	¥ 478,872	$ 3,155,075

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities	¥ 105,020	¥ 159,323	$ 1,069,123
Payables arising from unsettled trades	-	4,051	-
Payables on margin transactions	9,455	18,634	96,254
Payables on collateralized securities transactions	37,638	82,049	383,162
Deposits received	9,581	8,269	97,536
Guarantee deposits received	6,311	9,801	64,247
Short-term borrowings	73,265	117,815	745,852
Income tax payables	-	809	-
Other current liabilities	3,095	6,444	31,508
Total current liabilities	244,365	407,195	2,487,682
Non-current liabilities:			
Long-term borrowings	7,350	8,050	74,824
Retirement and severance benefits	4,456	4,807	45,363
Other non-current liabilities	459	430	4,673
Total non-current liabilities	12,265	13,287	124,860
Financial instruments transactions reserve	417	-	4,245
Reserve for securities transactions	-	1,116	-
Total liabilities	257,047	421,598	2,616,787
Net assets			
Shareholder's equity:			
Common stock			
Authorized − 240,000 shares			
Issued − 100,000 shares in 2009 and 2008	5,000	5,000	50,901
Capital surplus	29,200	29,200	297,261
Retained earnings	18,645	23,165	189,810
Total shareholder's equity	52,845	57,365	537,972
Valuation and translation adjustments:			
Unrealized gain (loss) on other securities	31	(91)	316
Total net assets	52,876	57,274	538,288
TOTAL	¥ 309,923	¥ 478,872	$ 3,155,075

Statements of Operations

Okasan Securities Co., Ltd. Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Operating revenues:			
Commissions	¥ 26,380	¥ 37,909	$ 268,554
Net gain on trading	16,029	18,699	163,178
Interest and dividend income	2,126	3,074	21,643
	44,535	59,682	453,375
Interest expense	1,866	2,523	18,996
Net operating revenues	42,669	57,159	434,379
Selling, general and administrative expenses	45,563	48,978	463,840
Operating income (loss)	(2,894)	8,181	(29,461)
Other income (expenses):			
Provision for reserve for securities transactions	-	(185)	-
Gain on sale of investment in securities	96	-	977
Gain on exchange from business combination	148	-	1,507
Reversal of contribution to securities market infrastructure improvement fund	97	-	987
Reversal of financial instruments transactions reserve	699		7,116
Other, net	288	379	2,932
	1,328	194	13,519
Income (loss) before income taxes	(1,566)	8,375	(15,942)
Income taxes:			
Current	4	3,480	41
Deferred	(50)	327	(509)
	(46)	3,807	(468)
Net income (loss)	¥ (1,520)	¥ 4,568	$ (15,474)

CORPORATE DATA

(As of March 31, 2009)

Company Name
OKASAN SECURITIES GROUP 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
11 companies

BOARD OF DIRECTORS

(As of June 26, 2009)

Chairman
Seiichi Kato

President
Tetsuo Kato

Senior Managing Director
Hiroyuki Shinshiba
Kazuhiko Nonaka

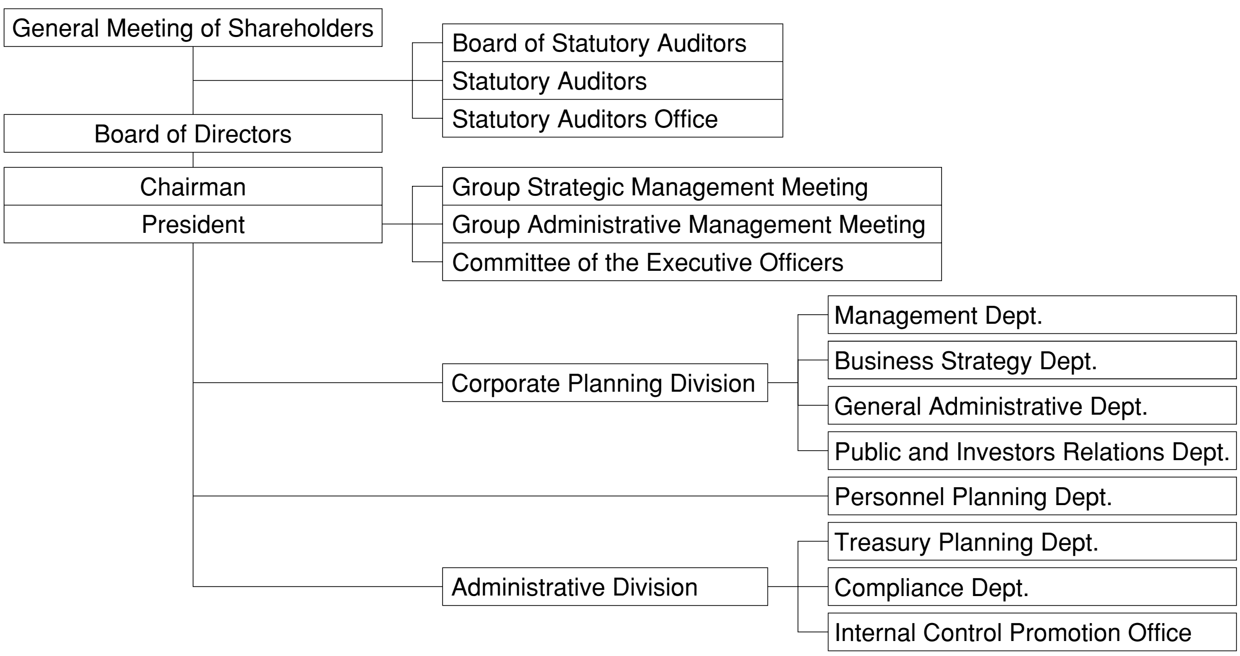
Managing Director
Hiroyuki Shindo

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 July 1, 2009)



OKASAN SECURITIES GROUP INC.

http://www.okasan.jp/