OKASAN
SECURITIES GROUP

ANNUAL REPORT

Ending March 31, 2011

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 nine 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 six 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.

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.

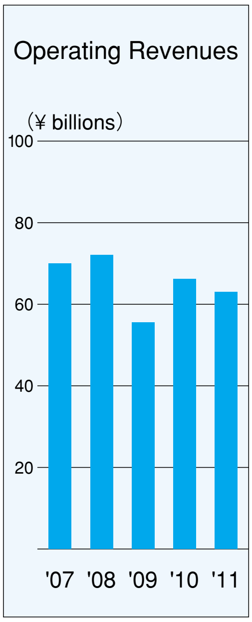
Contents

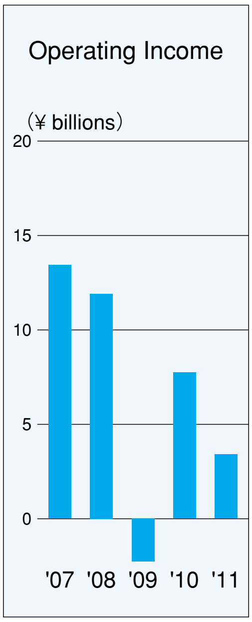
Consolidated Financial Highlights

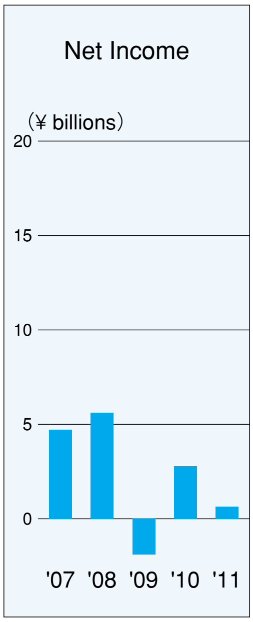
Okasan Securities Group Inc. and consolidated Subsidiaries Years ended March 31, 2011 and 2010

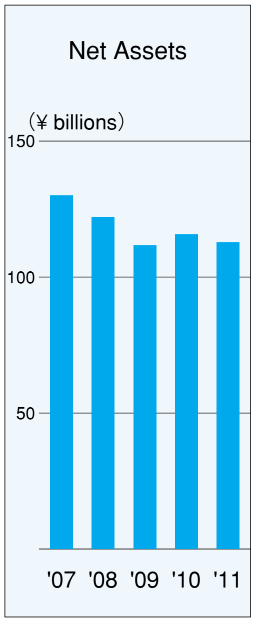
	Millions of yen		Thousands of U.S.dollars (note)
	2011 (4/1/10～3/31/11)	2010 (4/1/09～3/31/10)	2011 (4/1/10～3/31/11)
Operating revenues	¥62,964	¥66,236	$757,234
Operating income	3,409	7,747	40,998
Net income	640	2,786	7,697
Total assets	542,537	499,495	6,524,799
Net assets	112,623	115,578	1,354,456
Per share of common stock	Yen		U.S.dollars (note)
Basic net income	¥3.15	¥13.63	$0.04
Cash dividends applicable to the year	5.00	7.50	0.06

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 31,2011, which was ¥83.15 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

Okasan Securities Group Inc. is currently advancing a medium-term business plan for the period from April 2010 through the end of March 2013 (from FY2010 to FY2012). The plan is focused on elevating the quality of our services following our basic policy of “Do all we can for each and every one of our clients.” The plan's objective is to enhance our presence in the markets and construct an earning structure capable of realizing steady growth by “providing highest-quality products, research, and services” and “establishing unique brokerage services that match local-area characteristics.”.

In FY2010, the plan's first year, Okasan Securities Co., Ltd. continued to develop products and information delivery platform from a “global perspective.” Steps taken during the year included expanding its product line-up, notably in foreign equities and foreign bonds, and strengthening its research capabilities in foreign markets by establishing alliances with the leading Asian securities firms such as China Galaxy Securities Co., Ltd. in China and OSK Investment Bank Berhad in Malaysia.

Okasan Online Securities upgraded the platform for its customer service by further expanding its menu of trading tools, which includes the Okasan Net Trader series, Okasan RSS, Web-based order entry facilities, and iPhone applications. In addition, Okasan Information Systems continued to enhance the core system, Okasan Database Information Node (ODIN).

In January 2011, Okasan Securities Group Inc. and Okasan Securities Co., Ltd. relocated some headquarter functions to the Muromachi Head Office to facilitate management decisions and enhance our investment information distribution capabilities.

New medium-term business plan of Okasan Securities Group Inc.

-1. Period of the plan
Three years from April 2010 through the end of March 2013

-2. Basic Group policies

For our clients	To do all we can for each and every one of our clients ・Provide for best products, information and services ・Establish a business model of community-based securities-business style
For our employees	To be a leading company with regard to employees' sense of job satisfaction
For our shareholders	To enhance the corporate value of the Group, which was built around retail securities

-3. Management goals on a consolidated basis
ROE: 10% as a long-term target
Net assets: 130 billion yen at the end of the plan period

5. Challenges the Company should address

The increasing economic interdependence of countries around the world and the steady progression toward a truly global economy are making a "global perspective" more important than ever for investment decisions. This trend is also making quality investment advice increasingly essential for investors.

Our medium-term business plan for fiscal years 2010 to 2012 (April 1, 2010, to March 31, 2013) was formulated in response to this business environment. The plan sets a course for the Group to continue honing its competitive edge, which is our ability to flexibly provide products and information services to meet the needs of each client. We will also endeavor to provide the most attractive and effective products, research, and services from a global perspective, to establish unique brokerage services that match local-area characteristics, and to be a highly trusted investment advisor that is the best partner for our customers.

The Great East Japan Earthquake on March 11, 2011, has created a situation of insufficient power supply in areas serviced by Tohoku Electric Power Company and Tokyo Electric Power Company. The Group is currently implementing measures to conserve energy. To prepare for potential blackouts and do our part in the national effort to further reduce energy consumption, we have made it our social mission as a securities company to be aggressively vigilant about conserving electricity.

6. Outline of corporate governance structure

(1) Basic concepts regarding 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.

Okasan Securities Group Inc. operates as a Company with Auditors. Management oversight of the Board of Directors decision-making functions is enhanced by the inclusion of 3 outside auditors among our 6 auditors, as such a supervisory system is considered to adequately assure objectivity and neutrality in the decision-making functions.

(2) Structure of business execution

With regard to the structure of business execution, the Board of Directors as the supreme decision making organ on management makes a decision on items provided in laws and regulations and articles of incorporation and maps out plans of the management strategy of the Group and supervises them. The President - CEO executes decisions of the Board of Directors and supervises overall management. The Board of Directors consists of 7 directors, which enables it to make a quick decision by being small in number.

We have introduced the operating officer system, clarifying the roles of the Board of Directors, which makes management decisions and supervises management, and executive officers, who are in charge of business execution, to strengthen the business management of the Group. The Board of executive officers consists of 12 such officers and, according to the basic management policies adopted in the Board of Directors, deliberates on laying out specific policies and plans of business execution and other important managerial subjects. In addition, we set up the “Group Strategic Management Meeting” and “Group Administrative Management Meeting” as advisory bodies to the president-director, to realize the planning and decision of uniform and flexible management strategies and the improvement in the administration of each of the Group companies.

(3) Management monitoring structure

As regards the structure of the management monitoring, out of 6 auditors in total that includes 3 statutory auditors, 3 are outside auditors specified in the corporate law under Article 2, paragraph (16). Auditors constitute an auditors' meeting, decide on auditing policies according to laws and regulations and articles of incorporation based on the rules of auditors' meeting, and make up audit opinions from the reports of auditors. And through attending the Board of Directors and other important meetings etc., hearing the Board of Directors and looking through important approved documents etc., they oversee the process of decision making at the Board of Directors and the state of business execution of directors. In addition, they are trying to implement a proper auditing in cooperation with independent auditors and the divisions in charge of internal auditing.

Okasan Securities Group Inc. entered into an agreement with the 3 outside auditors to limit their liabilities under Article 423, Paragraph 1 of the Companies Act to the amount provided by laws and ordinances.

(4) Internal auditing structure

As part of efforts to contribute to secure appropriate business operations such as reducing management risks and preventing wrongdoings, we set up internally the auditing division and assigned four staff there. The auditing division makes up an audit plan in each fiscal year, periodically implements an on-the-spot audit based on the plan and inspects documents when necessary. The results of auditing are reported to the Board of Directors from the director in charge of auditing, in the form of the audit report.

Operating and Financial Review

Okasan Securities Group Inc. and Consolidated Subsidiaries Years ended March 31, 2011 and 2010

I. Analysis of operating results

The Japanese economy opened the fiscal year in a gradual recovery supported by stimulus policies, rising exports, and other factors, including a bottoming and signs of growth in capital spending. The recovery moved into a plateau phase in autumn, however, as eco-car subsidies, the eco-point program for consumer electric appliances, and other stimulus measures expired or were scaled down. At the start of the 2011 calendar year, increasing exports to Asia drove the economy toward further recovery, but the trend was derailed on March 11 by the extensive damage caused by the Great East Japan Earthquake. The fiscal year ended with widespread concern over the disaster's consequences along with serious power shortages in areas supplied by Tohoku Electric Power and Tokyo Electric Power.

In the currency markets, the yen first rose markedly versus the euro early in the fiscal year on a backdrop of the sovereign debt crisis in Greece then began rising against the dollar in July on concern of an economic slowdown and expectation for supplemental monetary easing policies in the United States. The dollar intermittently gained back ground through the end of the 2010 calendar year. When the yen spiked to ¥76 versus the dollar on market speculation for yen-buying in the wake of the March earthquake, the G7 central banks responded with a coordinated yen-selling intervention, enabling the dollar to quickly regain the ¥80 level. By the close of the fiscal year, steps by the United States to move away from its monetary easing policy had helped the dollar bounce back to the ¥83 level.

In the stock markets, concern that the strong yen would hamper Japanese corporate earnings drew the Nikkei 225 down to the 8,800 level in late August. Encouraged by improved corporate revenue structures and other factors, the stock index climbed steadily from that point to reclaim the 10,800 level in mid February. The earthquake and ensuing uneasiness over the accident at the Fukushima Daiichi nuclear power plants caused the index to briefly plummet to a low point of 8,227.63. However, as investors turned more bullish, the Nikkei 225 ended at 9,755.10 for the fiscal year, narrowing the 12 month loss to 12.0%.

In the fixed income market, a scenario of decelerating economies in the United States and Japan, the credit crisis in Europe, and the stronger yen versus the dollar fueled anticipation that the Bank of Japan would institute additional monetary easing. Yields on new 10-year JGB issues moved into a declining trend that lowered the rate to 0.820% in October. Meanwhile, domestic financial institutions were facing a swelling in their surplus fund accounts and began acquiring bonds, focused on shorter maturities, which helped firm up the supply and demand balance. When long-term interest rates in the United States turned upward in mid October, 10-year JGB yields followed and reached 1.350% in February before a reactionary-buying phase brought the rising trend to a halt. Yields moved into period of range trading and ultimately ended the fiscal year at 1.255%.

Okasan Securities Co., Ltd., the core member of the Okasan Group, responded to the operating environment by fortifying its Global Equity products, such as by expanding its presence in markets trading Asian shares, and broadening its menu of foreign currency-denominated products, including the commencement of Brazilian real-denominated bond trading. Okasan Securities also took steps to strengthen its information gathering capabilities in foreign markets, including establishing alliances with leading securities companies in China and Malaysia.

Okasan Online Securities, a specialized internet-based broker, enhanced its trading tools, including providing a Smartphone application, offered new services such as the “Click Equity 365” exchange CFD (an equity index margin contracts), and conducted various promotional campaigns during the fiscal year. Okasan Asset Management upgraded its service to provide information and sales support to sales companies and continued launching new funds geared to the investment environment.

As a result of the above mentioned environment, operating revenues and net operating revenues of Okasan Securities Group Inc.(consolidated, Group hereinafter) decreased 4.9% and 4.8% respectively from a year ago, to ¥62,964 million and ¥61,276 million respectively for the fiscal year. Selling, general and administrative expenses edged up by 2.2% from a year ago, to ¥57,867 million. Consequently, net income for the fiscal year decreased 77.0% from a year ago, to ¥640 million.

1. Fees and commissions received

Total fees and commissions received increased 29.2% from the previous fiscal year, to ¥43,846 million. A breakdown of major items is shown as follows:

（1） Brokerage commissions

The average daily trading volume (Japanese common stocks) on the Tokyo Stock Exchange in the fiscal year decreased 2.5% from a year ago, to 2,264 million shares, while trading value posted ¥1,553.2 billion, almost the same as the amount for the previous fiscal year. In the mixed environment, stock brokerage commissions earned by the Group were down 19.1% from a year ago, to ¥10,748 million due to a decline in individual investors' trading value. Furthermore, bond brokerage commissions decreased 77.6% from a year ago, to ¥19 million. Other brokerage commissions rose 6.5% from a year ago, to ¥1,238 million yen. Consequently, total brokerage commissions in the fiscal year posted a 17.4% decline from a year ago, at ¥12,005 million.

（2） Underwriting fees, selling concessions, and commissions on solicitation for sales of financial instruments to specified investors and others

Equity brokerage commissions for the fiscal year decreased 43.6% from a year ago, to ¥324 million, due primarily to fewer deals in large-scale financings of IPOs and POs by already-listed companies. On the other hand, bond commissions decreased 20.9% from a year ago, to ¥80 million, in spite of contribution of lead manager fees in corporate bonds and manager fees in municipal bonds. As a result, total of underwriting fees, selling concessions, and commissions on solicitation for sales of financial instruments to specified investors and others declined by 40.2% from a year ago, to ¥404 million yen.

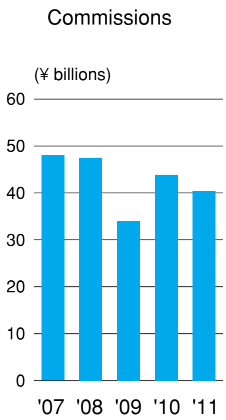
（3） Administrative charges on offering, selling and solicitation for sales of financial instruments to specified investors, and other fees and commissions received

Investment trust funds are the revenue drivers of this category.

During the fiscal year, the Group focused on marketing of existing funds including “Asia Oceania High Yield and Growth Open” and made efforts for accumulation of clients' assets under custody. Furthermore, aiming to widen the product line-up, the Group launched various types of new funds, including a fund investing in the developed market stocks that are likely to benefit from growth in emerging countries, a fund investing in the US and the domestic equities with focus on new technologies, a fund investing in high yield bonds of European counties, and a fund investing in shares of agriculture- and food-related companies throughout the world and bonds linked with the world's commodity markets for agricultural crops.

Despite of the above efforts, administrative charges on offering, selling and solicitation for sales of financial instruments to specified investors decreased 8.7% from a year ago, to ¥16,131 million. On the other hand, other fees and commissions received increased 7.9% from a year ago, to ¥11,831 million, due to contribution of administrative charges for investment trusts and sales commissions for insurance policies such as variable annuity.

Fees and Commissions received



Breakdown by category

(Millions of yen except percentage)

	2011<A> (4/1/10～3/31/11)	2010<B> (4/1/09～3/31/10)	Ratio <A>/<B>
Brokerage commissions	¥12,005	¥14,533	82.6
Equities	10,748	13,287	80.9
Bonds	19	83	22.4
Others	1,238	1,163	106.5
Underwriting fees and selling concessions	404	675	59.8
Equities	324	574	56.4
Bonds	80	101	79.1
Placement commissions	16,131	17,676	91.3
Other commissions	11,831	10,963	107.9
Total	¥40,370	¥43,847	92.1

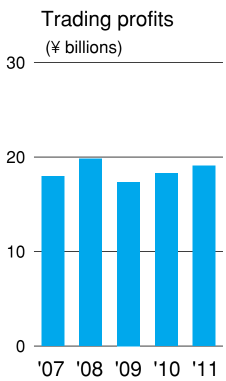
Breakdown by Product

(Millions of yen except percentage)

	2011<A> (4/1/10～3/31/11)	2010<B> (4/1/09～3/31/10)	Ratio <A>/<B>
Equities	¥11,346	¥14,138	80.3
Bonds	201	363	55.6
Investment trusts	27,051	27,412	98.7
Others	1,772	1,934	91.6
Total	¥40,370	¥43,847	92.1

2. Trading profits

Trading profits on equities rose 23.6% from a year ago to ¥9,645 million due to significant increase in over-the-counter trading in Japan of foreign stocks, in response to investors' strong demand for US shares including telecom-related and relisted auto stocks. On the other hand, reflecting a decline in trading volume of foreign currency denominated bonds to individuals, net trading profits on bonds decreased 13.6% from a year ago to ¥9,342 million. Other trading profits recorded ¥112 million (a loss of 335 million yen for the previous fiscal year). Consequently, total trading profits increased 4.5% from a year ago, to ¥19,100 million.



Trading profit/loss

(Millions of yen except percentage)

	2011<A> (4/1/10～3/31/11)	2010<B> (4/1/09～3/31/10)	Ratio <A>/<B>
Equities, etc.	¥ 9,645	¥ 7,802	123.6
Bonds, etc.	9,342	10,816	86.4
Others	112	△335	—
Total	¥19,100	¥18,283	104.5

3. Net financial income

Interest and dividend income decreased 8.0% from a year ago, to ¥2,280 million, while interest expenses decreased 9.3% from a year ago, to ¥1,688 million. As a result, net financial income decreased 4.0% from a year ago, to ¥591 million.

4. Other operating income

Operating income from operations other than the financial instrument exchange business or its incidental business decreased 25.4% from a year ago, to ¥1,214 million.

5. Selling, general and administrative expenses

Selling, general and administrative expenses edged up 2.2% from a year ago, to ¥57,867 million due mainly to a rise in depreciation charges and trading-related expenses, with such a rise partly offset by a decline in administrative expenses.

6. Other income (expenses)

Net of other income and expenses ended up with a loss of ¥1,148 million for the fiscal year (a loss of ¥193 million for the previous fiscal year), due mainly to provision of allowance for doubtful accounts for the purpose of accommodating a fund shortfall related to failed settlements against customers resulting from plunging equity market triggered by the Great East Japan Earthquake.

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 2011 we proposed a ¥5.0 dividend per share to shareholders, according to the dividend policy mentioned above.

II. Analysis of financial position

1. Assets, liabilities and net assets

Total assets at the end of the fiscal year were ¥542,537 million, or an increase of ¥43,042 million from the end of the previous fiscal year. The increase was mainly due to a ¥39,643 million rise in trading assets, a ¥30,456 million rise in receivables on collateralized securities transactions, a ¥12,387 million decline in receivables arising from unsettled trades, and a ¥9,647 million decline in cash segregated as deposits for customers and others.

Total liabilities at the end of the fiscal year were ¥429,914 million, or an increase of ¥45,996 million from the end of the previous fiscal year. The increase was mainly due to a ¥28,475 million rise in payables arising from unsettled trades, and a ¥23,983 million rise in trading liabilities. However, the rise was detracted by a ¥5,961 million decline in payables on margin transactions.

Net assets at the end of the fiscal year were ¥112,623 million, or a decrease of ¥2,954 million from the end of the previous fiscal year. This was mainly due to a ¥973 million decrease arising from purchase of treasury stocks, a ¥969 million decrease in unrealized gains on available-for-sale securities, and a ¥867 million decrease in retained earnings.

2. Cash flows

Cash and cash equivalents (“funds”) as of the end of the fiscal year increased ¥2,089 million from the end of the previous fiscal year, to ¥38,340 million (a 5.8% rise from a year ago). Cash flows and important factors in cash flows are as follows:

<Cash flows from operating activities>

Operating activities resulted in a cash inflow of ¥1,456 million in the fiscal year (compared to an outflow of ¥48,902 million in the previous fiscal year). The inflow reflected a ¥25,203 million gain from the net balance of trading assets and a ¥9,700 million gain from a decrease in cash segregated as deposits for customers. Such gains, however, are partly offset by an outflow of ¥34,253 million due to the use of fund for the net balance of receivables on collateralized securities transactions and payables on collateralized securities transactions.

<Cash flows from investing activities>

Investing activities caused a cash outflow of ¥5,644 million, or a 339.4% increase from a year ago. Outflows included ¥4,497 million in payment for purchase of investment securities and ¥1,489 million in payment for purchase of intangible fixed assets. These were offset by a cash inflow of ¥1,245 million from the sale of investment securities.

<Cash flows from financing activities>

Financing activities resulted in a cash inflow of ¥6,549 million, or an 87.6% decrease from a year ago, due primarily to an increase in short-term borrowings.

Consolidated Balance Sheets

Okasan Securities Group Inc. and Consolidated Subsidiaries — At March 31, 2011 and 2010

	Millions of yen		Thousands of U.S.dollars (note 3)
	2011	2010	2011
ASSETS			
Current assets:			
Cash on hand and in banks (notes 10 and 21)	¥ 43,340	¥ 41,440	$ 521,227
Cash segregated as deposits for customers and others	48,053	57,701	577,907
Trading assets (notes 4 and 10)	182,513	142,869	2,194,985
Receivables arising from unsettled trades	-	12,388	-
Receivables on margin transactions (note 5)	36,247	44,338	435,923
Receivables on collateralized securities transactions (note 6)	167,522	137,066	2,014,696
Short-term investments (note 7)	3,298	601	39,663
Deferred income taxes (note 11)	848	968	10,199
Other current assets	7,576	7,750	91,113
Allowance for doubtful accounts	(7)	(39)	(84)
Total current assets	489,390	445,082	5,885,629
Property and equipment, net of accumulated depreciation of ¥10,849 million ($130,475thousand) in 2011 and ¥10,660 million in 2010 (note 10)	16,438	16,000	197,691
Intangible assets, net	9,386	10,427	112,880
Investments and other assets:			
Investment securities (notes 7, 8 and 10)	19,463	20,712	234,071
Long-term guarantee deposits	3,540	3,218	42,574
Deferred income taxes (note 11)	2,471	2,064	29,717
Other	5,267	3,854	63,343
Allowance for doubtful accounts	(3,418)	(1,862)	(41,106)
Total investments and other assets	27,323	27,986	328,599
TOTAL	¥ 542,537	¥ 499,495	$ 6,524,799

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets－*(Continued)*

Okasan Securities Group Inc. and Consolidated Subsidiaries － At March 31, 2011 and 2010

	Millions of yen		Thousands of U.S.dollars (note 3)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities (note 4)	¥ 124,430	¥ 100,447	$ 1,496,452
Payables arising from unsettled trades	28,476	-	342,465
Payables on margin transactions (notes 5 and 10)	19,423	25,384	233,590
Payables on collateralized securities transactions (note 6)	29,024	32,822	349,056
Deposits received	20,187	22,871	242,778
Guarantee deposits received	27,388	29,746	329,381
Short-term borrowings (notes 9 and 10)	146,283	147,326	1,759,266
Income tax payables (note 11)	1,117	2,532	13,434
Other current liabilities (note 11)	5,279	5,207	63,488
Total current liabilities	401,607	366,335	4,829,910
Non-current liabilities:			
Long-term borrowings (notes 9 and 10)	15,343	4,960	184,522
Lease liabilities (note 9)	705	758	8,478
Deferred income taxes (note 11)	1,880	2,301	22,610
Retirement and severance benefits (note 12)	6,262	6,156	75,310
Asset retirement obligations (note 13)	532	-	6,398
Other non-current liabilities	2,374	2,552	28,551
Total non-current liabilities	27,096	16,727	325,869
Financial instruments transactions reserve (note 14)	1,211	855	14,564
Total liabilities	429,914	383,917	5,170,343
Net assets			
Shareholders' equity (note 15):			
Common stock			
Authorized－750,000,000 shares in 2011and 2010			
Issued－208,214,969 shares in 2011 and 2010	18,590	18,590	223,572
Capital surplus	12,911	12,919	155,274
Retained earnings	64,496	65,363	775,658
Treasury stock, at cost, 7,095,507 shares in 2011 and 3,843,901 shares in 2010	(2,850)	(1,877)	(34,275)
Total shareholders' equity	93,147	94,995	1,120,229
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (note 7)	586	1,556	7,047
Surplus on land revaluation (note 16)	270	235	3,247
Foreign currency translation adjustments	(811)	(476)	(9,753)
Total accumulated other comprehensive income	45	1,315	541
Minority interests	19,431	19,268	233,686
Total net assets	112,623	115,578	1,354,456
Commitments and contingencies (note 22)			
TOTAL	¥ 542,537	¥ 499,495	$ 6,524,799

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Okasan Securities Group Inc. and Consolidated Subsidiaries ― Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S.dollars (note 3)
	2011	2010	2011
Operating revenues:			
Commissions	¥ 40,370	¥ 43,847	$ 485,508
Net gain on trading	19,100	18,283	229,706
Interest and dividend income	2,280	2,478	27,420
Service fee and other revenues	1,214	1,628	14,600
	62,964	66,236	757,234
Interest expense	1,688	1,862	20,301
Net operating revenues	61,276	64,374	736,933
Selling, general and administrative expenses (note18)	57,867	56,627	695,935
Operating income	3,409	7,747	40,998
Other income (expenses):			
Dividend income	443	330	5,328
Gain on sale of investment securities	453	98	5,448
Negative goodwill	166	-	1,996
Interest expense	(119)	(130)	(1,431)
Loss on devaluation of investment securities	(400)	(153)	(4,811)
Provision for financial instruments transactions reserve	(356)	(338)	(4,281)
Cumulative effect on prior years of adoption of new accounting standard for asset retirement obligations (note 13)	(343)	-	(4,125)
Provision for doubtful accounts	(1,702)	-	(20,469)
Other, net	710	-	8,539
	(1,148)	(193)	(13,806)
Income before income taxes and minority interests	2,261	7,554	27,192
Income taxes (note 11):			
Current	2,571	2,865	30,920
Refund of income taxes	(1,585)	-	(19,062)
Deferred	35	1,139	421
	1,021	4,004	12,279
Income before minority interests	1,240	3,550	14,913
Minority interests	600	764	7,216
Net income	¥ 640	¥ 2,786	$ 7,697

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Loss

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2011

	Millions of yen	Thousands of U.S.dollars (note 3)
Income before minority interests	¥ 1,240	$ 14,913
Other comprehensive loss:		
Unrealized loss on available-for-sale securities	(1,038)	(12,483)
Foreign currency translation adjustments	(334)	(4,017)
Total other comprehensive loss	(1,372)	(16,500)
Comprehensive loss	¥ (132)	$ (1,587)
Comprehensive income (loss) attributable to:		
Owners of parent	¥ (663)	$ (7,973)
Minority interests	531	6,386

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, 2011 and 2010

	Millions of yen									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
Balances at March 31, 2009	¥	18,590	¥	12,919	¥	63,583	¥	(1,859)	¥	93,233
Changes arising during the year:										
Cash dividends						(1,006)				(1,006)
Net income						2,786				2,786
Purchase of treasury stock								(18)		(18)
Net changes other than shareholders' equity										
Total changes during the year		-		-		1,780		(18)		1,762
Balances at March 31, 2010		18,590		12,919		65,363		(1,877)		94,995
Changes arising during the year:										
Decrease resulting from changes in interest in consolidated subsidiaries				(8)				(20)		(28)
Cash dividends						(1,507)				(1,507)
Net income						640				640
Purchase of treasury stock								(953)		(953)
Net changes other than shareholders' equity										
Total changes during the year		-		(8)		(867)		(973)		(1,848)
Balances at March 31, 2011	¥	18,590	¥	12,911	¥	64,496	¥	(2,850)	¥	93,147

	Millions of yen					
	Accumulated other comprehensive income (loss)					
	Unrealized gain on available-for-sale securities	Surplus on land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balances at March 31, 2009	¥ 3	¥ 235	¥ (321)	¥ (83)	¥ 18,375	¥ 111,525
Changes arising during the year:						
Cash dividends						(1,006)
Net income						2,786
Purchase of treasury stock						(18)
Net changes other than shareholders' equity	1,553	-	(155)	1,398	893	2,291
Total changes during the year	1,553	-	(155)	1,398	893	4,053
Balances at March 31, 2010	1,556	235	(476)	1,315	19,268	115,578
Changes arising during the year:						
Decrease resulting from changes in interest in consolidated subsidiaries						(28)
Cash dividends						(1,507)
Net income						640
Purchase of treasury stock						(953)
Net changes other than shareholders' equity	(970)	35	(335)	(1,270)	163	(1,107)
Total changes during the year	(970)	35	(335)	(1,270)	163	(2,955)
Balances at March 31, 2011	¥ 586	¥ 270	¥ (811)	¥ 45	¥ 19,431	¥ 112,623

	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, 2010	$ 223,572	$ 155,370	$ 786,085	$ (22,574)	$ 1,142,453
Changes arising during the year:					
Decrease resulting from changes in interest in consolidated subsidiaries		(96)		(240)	(336)
Cash dividends			(18,124)		(18,124)
Net income			7,697		7,697
Purchase of treasury stock				(11,461)	(11,461)
Net changes other than shareholders' equity					
Total changes during the year		(96)	(10,427)	(11,701)	(22,224)
Balances at March 31, 2011	$ 223,572	$ 155,274	$ 775,658	$ (34,275)	$ 1,120,229

	Thousands of U.S. dollars (note 3)					
	Accumulated other comprehensive income (loss)					
	Unrealized gain on available-for-sale securities	Surplus on land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balances at March 31, 2010	$ 18,713	$ 2,826	$ (5,724)	$ 15,815	$ 231,726	$1,389,994
Changes arising during the year:						
Decrease resulting from changes in interest in consolidated subsidiaries						(336)
Cash dividends						(18,124)
Net income						7,697
Purchase of treasury stock						(11,461)
Net changes other than shareholders' equity	(11,666)	421	(4,029)	(15,274)	1,960	(13,314)
Total changes during the year	(11,666)	421	(4,029)	(15,274)	1,960	(35,538)
Balances at March 31, 2011	$ 7,047	$ 3,247	$ (9,753)	$ 541	$ 233,686	$1,354,456

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S.dollars (note 3)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,261	¥ 7,554	$ 27,192
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,828	2,703	46,037
Cumulative effect on prior years of adoption of new accounting standard for asset retirement obligations	343	-	4,125
Interest and dividend income	(2,735)	(2,823)	(32,892)
Interest expense	1,808	1,992	21,744
Loss (gain) on sale of investment securities	(450)	37	(5,412)
Loss on devaluation of investment securities	400	153	4,811
Negative goodwill incurred	(166)	-	(1,996)
Decrease (increase) in deposits segregated for customer	9,700	(27,700)	116,657
Decrease (increase) in trading assets and increase (decrease) in trading liabilities	25,203	(34,905)	303,103
Decrease (increase) in receivables on margin transactions and increase (decrease) in payables on margin transactions	2,129	(6,292)	25,604
Decrease (increase) in receivables on collateralized securities transactions and increase (decrease) in payables on collateralized securities transactions	(34,253)	(10,086)	(411,942)
Increase (decrease) in deposits received	(2,479)	7,536	(29,814)
Decrease (increase) in short-term guarantee deposits	337	2,090	4,053
Increase (decrease) in guarantee deposits received	(2,359)	8,362	(28,371)
Increase (decrease) in allowance for doubtful accounts	1,524	41	18,328
Increase (decrease) in retirement and severance benefits	105	43	1,263
Increase (decrease) in financial instruments transactions reserve	356	338	4,281
Other, net	(2,686)	(588)	(32,303)
Sub-total	2,866	(51,545)	34,468
Interest and dividend received	2,782	2,790	33,457
Interest paid	(1,812)	(2,011)	(21,792)
Income taxes refunded (paid)	(2,380)	1,863	(28,623)
Net cash provided by (used in) operating activities	1,456	(48,903)	17,510

	Millions of yen		Thousands of U.S.dollars (note 3)
	2011	2010	2011
Cash flows from investing activities:			
Payment for short-term investments	(4,498)	-	(54,095)
Proceeds from sale of short-term investments	1,200	-	14,432
Payment for purchase of property and equipment	(896)	(434)	(10,776)
Payment for intangible assets	(1,489)	(2,271)	(17,907)
Payment for investment securities	(1,039)	(2,351)	(12,495)
Proceeds from sale of investment securities	1,245	2,383	14,973
Payment for investments in affiliates	(144)	-	(1,732)
Other, net	(23)	1,388	(277)
Net cash used in investing activities	(5,644)	(1,285)	(67,877)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	6,155	55,560	74,023
Proceeds from long-term borrowings	9,200	3,180	110,643
Payments on long-term borrowings	(5,998)	(4,876)	(72,135)
Purchase of treasury stock	(953)	(18)	(11,461)
Dividends paid to shareholders	(1,507)	(1,005)	(18,124)
Dividends paid to minority shareholders of subsidiaries	(42)	(35)	(505)
Other, net	(306)	(193)	(3,680)
Net cash provided by financing activities	6,549	52,613	78,761
Effect of exchange rate changes on cash and cash equivalents	(271)	(152)	(3,259)
Net increase in cash and cash equivalents	2,090	2,273	25,135
Cash and cash equivalents, beginning of year	36,250	33,977	435,959
Cash and cash equivalents, end of year (note 21)	¥ 38,340	¥ 36,250	$ 461,094

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of Okasan Securities Group Inc. (the "Company") 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.

"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) 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 Company made necessary modification to the consolidated financial statements according to the PITF.

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, 2011 include the accounts of the Company and its 10 subsidiaries (11 subsidiaries in 2010). There are no affiliates accounted for by equity method in 2011 and 2010.
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 amortized over its estimated period of benefit on a straight-line basis and negative goodwill is 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 50 years for buildings and from 3 to 15 years for equipment.

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

j. ***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.
From the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008) and the Accounting Standard is to remove the treatment, which provides that a company may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period, and the Company is required to use the discount rate at the each year end. There was no effect on consolidated financial statements for the year ended March 31, 2010.
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*** – 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 March 31, 2008, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses.

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. *Asset retirement obligations* – From the year ended March 31, 2011, the Company applied "the Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "the Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). The Standard and the Guidance require that a company should recognize an asset retirement obligation which is a statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.
As a result of this change, operating income decreased by ¥9 million ($108 thousand) and income before income taxes and minority interests decreased ¥351 million ($4,221 thousand).

p. *Presentation of comprehensive income* – From the year ended March 31, 2011, the Company applied "the Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010) and "the Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, Revised on June 30, 2010). Comprehensive income is the change in net assets that is recognized in an entity's financial statements for a period, other than those changes resulting from direct transactions with equity holders in the entity's net assets. Other comprehensive income is a portion of comprehensive income that is not included in net income for the period or minority interest's share in it. Comprehensive income is required to be presented in either of, (a) a format composed of the statement of income that presents net income and the statement of comprehensive income that presents calculation of comprehensive income (two-statement format), or (b) a format using one statement (statement of income and comprehensive income) that presents net income and comprehensive income (one-statement format).
The Company presents comprehensive income in two-statement format.

q. *Reclassifications* – Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used in consolidated statements as of and for the year ended March 31, 2011.

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, 2011, which was ¥83.15 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, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Trading assets:			
Equity securities and warrants	¥ 1,140	¥ 1,885	$ 13,710
Government, corporate and other bonds	177,871	134,988	2,139,158
Commercial paper and certificates of deposit	3,498	5,992	42,069
Derivatives	4	4	48
	¥ 182,513	¥ 142,869	$ 2,194,985
Trading liabilities:			
Equity securities and warrants	¥ 962	¥ 707	$ 11,569
Government, corporate and other bonds	119,912	93,721	1,442,117
Commercial paper and certificates of deposit	3,497	5,993	42,056
Derivatives	59	26	710
	¥ 124,430	¥ 100,447	$ 1,496,452

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Assets:			
Loans receivable from customers	¥ 29,837	¥ 34,226	$ 358,833
Cash deposits as collateral for securities borrowed from securities finance companies	6,410	10,112	77,090
	¥ 36,247	¥ 44,338	$ 435,923
Liabilities:			
Borrowings from securities finance companies	¥ 8,795	¥ 10,547	$ 105,773
Proceeds from securities sold for customers' accounts	10,628	14,837	127,817
	¥ 19,423	¥ 25,384	$ 233,590

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, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Assets:			
Cash collateral for securities borrowed	¥ 167,522	¥ 137,066	$ 2,014,696
Liabilities:			
Cash collateral for securities loaned	¥ 26,784	¥ 32,822	$ 322,117
Sell Gensaki transactions	2,240	-	26,939
	¥ 29,024	¥ 32,822	$ 349,056

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, 2011 and 2010 is summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2011				
Current:				
Government, corporate and other bonds	¥ 3,298	¥ -	¥ -	¥ 3,298
Non-current:				
Equity securities	¥ 11,354	¥ 3,302	¥ (2,057)	¥ 12,599
Government, corporate and other bonds	298	15	-	313
Other	1,432	126	(25)	1,533
	¥ 13,084	¥ 3,443	¥ (2,082)	¥ 14,445
At March 31, 2010				
Current:				
Government, corporate and other bonds	¥ 599	¥ 2	¥ -	¥ 601
Non-current:				
Equity securities	¥ 11,623	¥ 4,316	¥ (1,284)	¥ 14,655
Government, corporate and other bonds	297	16	-	313
Other	692	84	(15)	761
	¥ 12,612	¥ 4,416	¥ (1,299)	¥ 15,729

	Thousands of U.S.dollars							
	Acquisition cost		Gross unrealized gain		Gross unrealized loss		Balance sheet amount	
At March 31, 2011								
Current:								
Government, corporate and other bonds	$	39,663	$	-	$	-	$	39,663
Non-current:								
Equity securities	$	136,548	$	39,711	$	(24,738)	$	151,521
Government, corporate and other bonds		3,584		180		-		3,764
Other		17,222		1,516		(301)		18,437
	$	157,354	$	41,407	$	(25,039)	$	173,722

Securities classified as available-for-sale securities for which fair value is not available are unlisted equity securities amounting to ¥4,725 million ($56,825 thousand) and ¥4,741 million, and investments in limited partnership and similar partnership amounting to ¥293 million ($3,524 thousand) and ¥241 million at March 31, 2011 and 2010, respectively.

For the years ended March 31, 2011 and 2010, proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses are as follows:

	Millions of yen					
	Proceeds from sales of available-for-sale		Gross realized gains		Gross realized losses	
March 31, 2011						
Equity securities	¥	497	¥	450	¥	(1)
Government, corporate and other bonds		1,800		-		-
Other		148		3		(1)
	¥	2,445	¥	453	¥	(2)
March 31, 2010						
Equity securities	¥	102	¥	20	¥	(51)
Government, corporate and other bonds		1,600		-		-
Other		682		78		(83)
	¥	2,384	¥	98	¥	(134)

	Thousands of U.S.dollars					
	Proceeds from sales of available-for-sale		Gross realized gains		Gross realized losses	
March 31, 2011						
Equity securities	$	5,977	$	5,412	$	(12)
Government, corporate and other bonds		21,648		-		-
Other		1,780		36		(12)
	$	29,405	$	5,448	$	(24)

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2011 and 2010 are ¥22million ($265 thousand) and ¥22 million, respectively.

9. BORROWINGS

The weighted-average interest rates applicable to the short-term borrowings are 0.61% and 0.74% at March 31, 2011 and 2010, respectively.

Long-term borrowings at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Borrowings, maturing in installments through 2016; bearing weighted average interest of 2.71% at March 31, 2011	¥ 17,650	¥ -	$ 212,267
Borrowings, maturing in installments through 2014; bearing weighted average interest of 2.79% at March 31, 2010	-	14,449	-
Less current installments	2,307	9,489	27,745
	¥ 15,343	¥ 4,960	$ 184,522

Lease liabilities at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Lease liabilities maturing in installments through 2017; bearing weighted average interest of 3.58% at March 31, 2011	¥ 1,059	¥ -	$ 12,736
Lease liabilities maturing in installments through 2016; bearing weighted average interest of 3.69% at March 31, 2010	-	1,030	-
Less current installments	354	272	4,258
	¥ 705	¥ 758	$ 8,478

(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 176 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
	2011	2010	2011
Current installments of long-term borrowings	¥ 1,850	¥ 4,500	$ 22,249
Long-term borrowings	7,900	1,850	95,009

Annual maturities of borrowings after March 31, 2012, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2013	¥ 1,882	$ 22,634
2014	3,604	43,343
2015	4,151	49,922
2016	5,705	68,611

Annual maturities of lease liabilities after March 31, 2012, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2013	¥ 351	$ 4,221
2014	215	2,586
2015	91	1,094
2016	39	469

To meet its liquidity needs stably and expeditiously and to strengthen financial operations, the Company established a ¥22,000 million ($264,582 thousand) commitment line contracts with 8 financial institutions at March 31, 2011 and a ¥22,000 million commitment line contracts with 8 financial institutions at March 31, 2010. There are no borrowings under the commitment line contracts both at March 31, 2011 and 2010.

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, 2011 and 2010, the carrying value of assets pledged is as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Cash in banks	¥ 4,008	¥ 3,746	$ 48,202
Trading assets	28,883	26,726	347,360
Property and equipment	9,546	9,640	114,805
Investment securities	11,375	14,607	136,801
	¥ 53,812	¥ 54,719	$ 647,168

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

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Short-term borrowings	¥ 34,322	¥ 39,628	$ 412,772
Borrowings from securities finance companies	2,379	827	28,611
Long-term borrowings	7,443	3,111	89,513
	¥ 44,144	¥ 43,566	$ 530,896

In addition to above, at March 31, 2011, trading assets, etc. amounting to ¥60,098 million ($722,766 thousand) and investments securities amounting to ¥86 million ($1,034 thousand) are deposited as guarantee for settlement of trading accounts and securities borrowed, respectively. At March 31, 2010, trading assets, etc. amounting to ¥69,686 million and investments securities amounting to ¥109 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, 2011 and 2010, except for those disclosed in the above table, are as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Securities loaned on margin transactions	¥ 10,796	¥ 15,746	$ 129,838
Securities pledged for borrowings on margin transactions	8,961	10,744	107,769
Securities loaned	26,692	32,705	321,010
Other	53,253	38,912	640,445
	¥ 99,702	¥ 98,107	$ 1,199,062

The fair value of the securities received as collateral at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Securities received on margin transactions	¥ 27,809	¥ 34,832	$ 334,444
Securities borrowed	172,425	141,402	2,073,662
Securities pledged as collateral	36,396	45,872	437,715
Other	6,806	10,544	81,852
	¥ 243,436	¥ 232,650	$ 2,927,673

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 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Deferred tax assets:			
Tax loss carryforwards	¥ 3,022	¥ 2,802	$ 36,344
Retirement and severance benefits (employees)	2,032	2,015	24,438
Allowance for doubtful accounts	1,275	607	15,334
Accrued bonuses	612	612	7,360
Retirement and severance benefits (directors and corporate auditors)	497	480	5,977
Financial instruments transactions reserve	492	347	5,917
Impairment loss	393	396	4,726
Asset retirement obligations	347	-	4,173
Loss on devaluation of investment securities	270	172	3,247
Loss on devaluation of golf memberships	220	-	2,646
Depreciation and amortization	192	207	2,309
Accrued business tax	153	235	1,840
Unrealized loss on available-for-sale securities	-	12	-
Other	305	547	3,668
	9,810	8,432	117,979
Valuation allowance	(5,778)	(4,430)	(69,489)
Total	4,032	4,002	48,490
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(506)	(1,223)	(6,085)
Land revaluation excess	(1,879)	(1,879)	(22,598)
Other	(233)	(170)	(2,802)
Total	(2,618)	(3,272)	(31,485)
Net deferred tax assets (liabilities)	¥ 1,414	¥ 730	$ 17,005

Net deferred tax liabilities at March 31, 2011 and 2010 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen				Thousands of U.S.dollars	
	2011		2010		2011	
Current assets − Deferred income taxes	¥	848	¥	968	$	10,199
Investments and other assets − Deferred income taxes		2,471		2,064		29,717
Current liabilities − Other current liabilities		(25)		(1)		(301)
Non-current liabilities − Deferred income taxes		(1,880)		(2,301)		(22,610)
	¥	1,414	¥	730	$	17,005

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, 2011 and 2010 is as follows:

	2011	2010
Statutory tax rate	40.5 %	40.5 %
Expenses not deductible for tax purposes	7.7	2.0
Income not credited for tax purposes	(1.9)	(0.3)
Per capita tax	3.5	1.1
Refund of income taxes	(70.1)	-
Valuation allowance	55.3	10.6
Expiration of tax loss carryforwards	9.4	-
Other	0.7	(0.9)
Effective tax rate	45.1 %	53.0 %

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, 2011 and 2010 consist of the followings:

	Millions of yen				Thousands of U.S.dollars	
	2011		2010		2011	
Projected benefit obligations	¥	(12,244)	¥	(12,287)	$	(147,252)
Fair value of plan assets		6,816		6,838		81,972
Unrecognized actuarial gain		393		477		4,727
Amount recognized in the consolidated balance sheets	¥	(5,035)	¥	(4,972)	$	(60,553)

The components of net periodic benefit cost for the years ended March 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Service cost	¥ 564	¥ 558	$ 6,783
Interest cost	238	236	2,862
Expected return on plan assets	(32)	(29)	(385)
Recognized actuarial loss	92	95	1,107
	862	860	10,367
Contributions to the defined contribution plan	184	182	2,213
	¥ 1,046	¥ 1,042	$ 12,580

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
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. 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 ¥1,226 million ($14,744 thousand) and ¥1,184 million at March 31, 2011 and 2010, respectively.

13. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligation is based on estimated future restoration liabilities related to leasehold contracts of branch offices and so on.
The obligation is calculated based on the estimated period of use of 10 to 58 years and discounted rate of 1.39% to 2.33%.

The following table provides a Company's total asset retirement obligation for the year ended March 31, 2011:

	Millions of yen	Thousands of U.S.dollars
Balance, beginning of year	¥ 490	$ 5,893
Liabilities incurred by asset acquisition	66	794
Accretion expenses	10	120
Liabilities settled	(34)	(409)
Balance, end of year	¥ 532	$ 6,398

The above asset retirement obligation at the beginning of year is calculated by estimating the undiscounted future cash flow as of the beginning of the year and by using a discount rate.

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 is calculated based on Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Law.

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, 2011 and 2010 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, 2010 which was approved by the General Meeting of Shareholders held on June 26, 2009 are as follows:

(a) Total dividends	¥1,030 million
(b) Cash dividends per common share	¥5
(c) Record date	March 31, 2009
(d) Effective date	June 29, 2009

Dividends paid during the year ended March 31, 2011 which was approved by the General Meeting of Shareholders held on June 29, 2010 are as follows:

(a) Total dividends	¥1,544 million ($18,569 thousand)
(b) Cash dividends per common share	¥7.5 ($0.09)
(c) Record date	March 31, 2010
(d) Effective date	June 30, 2010

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2011 which was approved by the General Meeting of Shareholders held on June 29, 2011 are as follows:

(a) Total dividends	¥1,014 million ($12,195 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥5 ($0.06)
(d) Record date	March 31, 2011
(e) Effective date	June 30, 2011

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.
The value of the land at March 31, 2011 decreased by ¥553 million ($6,651 thousand) in comparison with the book value of the land after the 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 373.3% and 357.8% at March 31, 2011 and 2010, respectively.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Commissions and brokerage	¥ 10,934	¥ 10,412	$ 131,497
Employees' compensation and benefits	28,565	28,544	343,536
Occupancy and rental	6,439	6,454	77,438
Data processing and office supplies	5,092	5,786	61,239
Depreciation and amortization	3,828	2,703	46,037
Taxes other than income taxes	561	593	6,747
Reserve for doubtful accounts	-	5	-
Other	2,448	2,130	29,441
	¥ 57,867	¥ 56,627	$ 695,935

19. COMPREHENSIVE INCOME

a) Comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Comprehensive income attributable to:	
Owners of parent	¥ 4,182
Minority interests	889
Total comprehensive income	¥ 5,071

b) Other comprehensive income for the year ended March 31, 2010 was consisted of as follows:

	Millions of yen
Net unrealized gain on available-for-sale securities	¥ 1,678
Foreign currency translation adjustments	(156)
Total other comprehensive income	¥ 1,522

20. 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, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	2011
Basic net income per share	¥ 3.15	¥ 13.63	$ 0.04

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Net income	¥ 640	¥ 2,786	$ 7,697
Net income not applicable to common shareholders	-	-	-
Net income applicable to common shareholders	¥ 640	¥ 2,786	$ 7,697

	Number of shares (Thousand)	
	2011	2010
Weighted average number of shares outstanding on which basic net income per share is calculated	203,104	204,387

(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, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	2011
Net assets per share	¥ 463.37	¥ 471.25	$ 5.57

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total net assets	¥ 112,623	¥ 115,578	$ 1,354,456
Amount deducted from total net assets:			
Minority interests	19,431	19,268	233,686
Net assets applicable to common stockholders	¥ 93,192	¥ 96,310	$ 1,120,770

	Number of shares (Thousand)	
	2011	2010
Number of shares outstanding at the end of year on which net assets per share is calculated	201,119	204,371

21. 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, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash on hand and in banks	¥ 43,340	¥ 41,440	$ 521,227
Time deposits that have maturities of over three months when acquired	(5,000)	(5,190)	(60,133)
Cash and cash equivalents	¥ 38,340	¥ 36,250	$ 461,094

22. COMMITMENTS AND CONTINGENCIES

At March 31, 2011 and 2010, the Company and certain subsidiaries have guaranteed approximately ¥127 million ($1,527 thousand) and ¥155 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.

23. LEASES

(a) Finance Lease

Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized at March 31, 2011 and 2010 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					
	2011			2010		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 1,192	¥ 491	¥ 1,683	¥ 1,615	¥ 869	¥ 2,484
Accumulated depreciation	839	389	1,228	1,127	613	1,740
Accumulated impairment loss	1	-	1	1	-	1
Net carrying amount	¥ 352	¥ 102	¥ 454	¥ 487	¥ 256	¥ 743

	Thousands of U.S. dollars		
	2011		
	Furniture and Fixtures	Software	Total
Acquisition cost	$ 14,336	$ 5,905	$ 20,241
Accumulated depreciation	10,091	4,678	14,769
Accumulated impairment loss	12	-	12
Net carrying amount	$ 4,233	$ 1,227	$ 5,460

Future minimum payments required under finance leases at March 31, 2011 and 2010 are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2011		2010		2011	
Due within one year	¥	276	¥	437	$	3,319
Due after one year		207		355		2,490
	¥	483	¥	792	$	5,809

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2011		2010		2011	
Lease payments	¥	497	¥	709	$	5,977
Reversal of accumulated impairment loss		-		1		-
Depreciation equivalents		456		637		5,484
Interest expense equivalents		24		40		289

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, 2011 and 2010 are as follows:

	Millions of yen				Thousands of U.S.dollars	
	2011		2010		2011	
Within one year	¥	512	¥	4	$	6,158
Over one year		2,577		-		30,992
	¥	3,089	¥	4	$	37,150

24. FINANCIAL INSTRUMENTS

Conditions of Financial instruments

(1) Management policy

The Company and subsidiaries (the "Group") primary engages in financial instruments trading business, which include trading in securities, brokerage for trading in securities, underwriting and distribution of securities, public offering and secondary distribution of securities and private offering of securities. For the above mentioned business, the Group uses its own resources and finances funds through bank loans and call money etc.

The Group makes short-term deposits and loans for margin transaction, and operates securities trading for the Group own accounts for fund management purposes.

Regarding the trading business, the Group works to do brokerage for trading in securities smoothly and contribute to a sound market system in an Exchange transaction, and works to make fair prices and transact smoothly in a Non-Exchange transaction.

Regarding the derivative financial instruments, the Group uses interest rate swaps to hedge future fluctuations of interest rates and does not enter into interest rate swaps for trading or speculative purposes, and also uses commodity futures and set the position limit on commodity futures.

(2) Financial instruments and risks

The main financial assets of the Group consist of cash on hand and in banks, cash segregated as deposits for customers and others, trading assets, receivables on margin transactions, receivables on collateralized securities transactions and investment securities.

The cash in banks are exposed to credit risk of banks. Most of cash segregated as deposits for customers and others are cash segregated as deposits for customers, and are segregated from the Group own assets and trusted to banks in accordance with the Japanese Financial Instruments and Exchange Law. The trusted funds are secured by the Trust Act.
Trading position is made for meeting customers' various needs and for hedging the position. Such trading involves market and counterparty risks which possibly effect on the financial position of the Group. Market risk is the risk arising from future changes in the market values of securities, interest rates and foreign currency exchange rates, and counterparty risk is the risk arising from default by the counterparty.
Receivables on margin transactions consist of loans receivable from customers and cash deposits as collateral for securities borrowed from securities finance companies, and are exposed to credit risk of counterparties. Receivables on collateralized securities transactions consist of cash collateral for securities borrowed, and are exposed to counterparty risk. Investment securities are exposed to issuer's credit risk and market risk.
The main financial liabilities of the Group consist of trading liabilities, payables on margin transactions, payables on collateralized securities transactions, deposits received, guarantee deposits received and borrowings.
Payables on margin transactions consist of borrowings from securities finance companies and proceeds from securities sold for customers' accounts. Payables on collateralized securities transactions consist of cash collateral for securities loaned. Deposit received is temporary unsettled amount arising from transaction with customers. Guarantee deposits received is deposit received for margin transactions from customers. Part of financial liabilities, such as borrowings, are exposed to liquidity risk that is the risk for the Group not to make a payment on due date. The borrowings with variable interest rate are exposed to interest rate fluctuation risk.
The Group uses derivative financial instruments as part of asset and liability management. For trading purpose, the Group uses derivatives listed on exchange such as stock index futures and bond futures, as well as over-the-counter derivatives such as forward foreign exchange transactions. For non-trading purpose, the Group uses interest rate swaps and commodity futures. Interest rate swaps are used to hedge future cash flow fluctuation arising from interest rate fluctuations on the borrowings. 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 ("exceptional accounting method"). Interest rate swaps are exposed to interest rate fluctuation risk, however, counterparties are limited to the lender. Commodity futures are utilized for the purpose of long-term fund management, and are exposed to commodity market price fluctuation risk.

(3) Financial instruments risk management
The group maintains appropriate risk management and control measures in order to maintain the Group financial stability and to effectively use the Group business resources.
In Okasan Securities Co., Ltd., our core firm, market risk is controlled principally through position limits, and counterparty risk is controlled principally through credit limits by each financial instrument. Primarily, trading department checks the position and the gain or loss. Secondarily, risk control department ascertains the position and the assessed risks reported by the trading department, and supervise the position.
Proprietary position at every month end is stress tested based on the scenario of 10% decrease in stocks and 100 basis points increase in interest rates for bonds, and effect of an expected loss on capital adequacy ratio is reported to Financial Service Agency. The stress test indicates that the expected loss is ¥569 million ($6,843 thousand) as of March 31, 2011.
In order to reduce the risks, receivables on margin transactions are controlled by daily credit management through setup of inception criteria for margin transactions and limits for open interest, deposits reception when market fluctuates in accordance with customer management rules. Purchases and sales of investment securities and stock market fluctuations are controlled in accordance with investment securities management rules. Liquidity risk is controlled based on fund management plan in accordance with liquidity risk management rules. The Group also makes contingency plan to mitigate liquidity crisis.
Securities subsidiaries other than Okasan Securities Co., Ltd. also maintain appropriate risk controls.

(4) Supplemental explanation regarding fair value of financial instruments
The contract amount of the derivative transactions does not represent the risk of the derivative transactions.

Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2011 and 2010 are as follows.

Financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please see "(2) Financial instruments of which the fair value is extremely difficult to measure.")

	Millions of yen					
	2011			2010		
	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
Assets:						
Cash on hand and in banks	¥ 43,340	¥ 43,340	¥ -	¥ 41,440	¥ 41,440	¥ -
Cash segregated as deposits for customers and others	48,053	48,053	-	57,701	57,701	-
Trading assets, short-term investments and investment securities						
Trading securities	182,509	182,509	-	142,865	142,865	-
Available-for-sale securities	17,743	17,743	-	16,330	16,330	-
Receivables arising from unsettled trades	-	-	-	12,388	12,388	-
Receivables on margin transactions	36,247	36,247	-	44,338	44,338	-
Receivables on collateralized securities transactions	167,522	167,522	-	137,066	137,066	-
Short-term guarantee deposits	3,423	3,423	-	3,760	3,760	-
Short-term loans	-	-	-	119	119	-
Total	¥ 498,837	¥ 498,837	¥ -	¥ 456,007	¥ 456,007	¥ -
Liabilities:						
Trading liabilities						
Trading securities	¥ 124,371	¥ 124,371	¥ -	¥ 100,421	¥ 100,421	¥ -
Payables arising from unsettled trades	28,476	28,476	-	-	-	-
Payables on margin transactions	19,423	19,423	-	25,384	25,384	-
Payables on collateralized securities transactions	29,024	29,024	-	32,822	32,822	-
Deposits received	20,187	20,187	-	22,871	22,871	-
Guarantee deposits received	27,388	27,388	-	29,746	29,746	-
Short-term borrowings	146,283	146,287	4	147,326	147,365	39
Long-term borrowings	15,343	15,550	207	4,960	5,015	55
Total	¥ 410,495	¥ 410,706	¥ 211	¥ 363,530	¥ 363,624	¥ 94
Derivative transactions	¥ (56)	¥ (56)	¥ -	¥ (27)	¥ (27)	¥ -

	Thousands of U.S. dollars		
	2011		
	Carrying value	Fair value	Differences
Assets:			
Cash on hand and in banks	$ 521,227	$ 521,227	$ -
Cash segregated as deposits for customers and others	577,907	577,907	-
Trading assets, short-term investments and investment securities			
Trading securities	2,194,937	2,194,937	-
Available-for-sale securities	213,385	213,385	-
Receivables on margin transactions	435,923	435,923	-
Receivables on collateralized securities transactions	2,014,696	2,014,696	-
Short-term guarantee deposits	41,167	41,167	-
Total	$ 5,999,242	$ 5,999,242	$ -
Liabilities:			
Trading liabilities			
Trading securities	$ 1,495,743	$ 1,495,743	$ -
Payables arising from unsettled trades	342,465	342,465	-
Payables on margin transactions	233,590	233,590	-
Payables on collateralized securities transactions	349,056	349,056	-
Deposits received	242,778	242,778	-
Guarantee deposits received	329,381	329,381	-
Short-term borrowings	1,759,266	1,759,314	48
Long-term borrowings	184,522	187,011	2,489
Total	$ 4,936,801	$ 4,939,338	$ 2,537
Derivative transactions	$ (673)	$ (673)	$ -

＊Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis.

(1) Fair value measurement of financial instruments

Assets:

Cash on hand and in banks, Cash segregated as deposits for customers and others, Receivables arising from unsettled trades, Receivables on margin transactions, Receivables on collateralized securities transactions, Short-term guarantee deposits and Short-term loans

The carrying amount approximates fair value because of the short maturity of these instruments.

Trading assets, short-term investments and investment securities

The carrying amount approximates fair value because the carrying amount of equity securities, debt securities and beneficiary certificates is calculated by quoted market price. Please see note 4. TRADING ASSETS AND LIABILITIES and see note 7. SECURITIES FOR NON-TRADING PURPOSES for information by category.

Liabilities:
Trading liabilities

The carrying amount approximates fair value because the carrying amount of equity securities, debt securities and beneficiary certificates is calculated by quoted market price. Please see note 4. TRADING ASSETS AND LIABILITIES for information by category.

Payables arising from unsettled trades, Payables on margin transactions, Payables on collateralized securities transactions, Deposits received, Guarantee deposits received and Short-term borrowings

The carrying amount approximates fair value because of the short maturity of these instruments. Fair value of current installments of long-term borrowings included in short-term borrowings is calculated as below. (See Long-term borrowings.)

Long-term borrowings

The carrying amount of long-term borrowings with variable interest rate approximates fair value because the fair value is reflected the fluctuation of interest market in a short period and credit status of the Company does not change so much from when the Company borrowed. Fair value of long-term borrowings with fixed interest rate is based on the present value of future cash flows of interest and principal payments discounted using the current borrowing rate for similar borrowings of a comparable maturity.

Fair value of certain long-term borrowings with interest rate swaps for which exceptional accounting method applied are based on the present value of future cash flows of interest and principal payments discounted using the current borrowing rate for similar borrowings of a comparable maturity.

Derivative Transactions:

Please see note 25. DERIVATIVES.

(2) Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Unlisted equity securities	¥ 4,725	¥ 4,741	$ 56,825
Investments in limited partnership and similar partnership	293	241	3,524
Total	¥ 5,018	¥ 4,982	$ 60,349

(3) ① Projected future redemption of monetary claim and securities with maturities at March 31, 2011

	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
Cash on hand and in banks	¥ 43,340	¥ -	¥ -	¥ -
Cash segregated as deposits for customers and others	48,053	-	-	-
Trading assets, short-term investments and investment securities:				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	3,300	300	-	-
Other	-	568	3	64
Receivables on margin transactions	36,247	-	-	-
Receivables on collateralized securities transactions	167,522	-	-	-
Short-term guarantee deposits	3,423	-	-	-
	¥ 301,885	¥ 868	¥ 3	¥ 64

	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
Cash on hand and in banks	$ 521,227	$ -	$ -	$ -
Cash segregated as deposits for customers and others	577,907	-	-	-
Trading assets, short-term investments and investment securities:				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	39,687	3,608	-	-
Other	-	6,831	36	770
Receivables on margin transactions	435,923	-	-	-
Receivables on collateralized securities transactions	2,014,696	-	-	-
Short-term guarantee deposits	41,167	-	-	-
	$ 3,630,607	$ 10,439	$ 36	¥ 770

② Projected future redemption of monetary claim and securities with maturities at March 31, 2010

	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
Cash on hand and in banks	¥ 41,440	¥ -	¥ -	¥ -
Cash segregated as deposits for customers and others	57,701	-	-	-
Trading assets, short-term investments and investment securities:				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	-	-	300	-
Corporate bonds	300	-	-	-
Other	300	-	-	-
Other	-	285	-	-
Receivables on margin transactions	44,338	-	-	-
Receivables on collateralized securities transactions	137,066	-	-	-
Short-term guarantee deposits	3,760	-	-	-
Short-term loans	119	-	-	-
	¥ 285,024	¥ 285	¥ 300	¥ -

(4) The annual maturities of the long-term debt

Please see note 9. BORROWINGS.

25. DERIVATIVES

Derivatives utilized for trading purposes

The contract or notional amounts and fair value of derivative financial instruments for trading purposes held at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen					
	2011			2010		
	Contract or notional amounts	Fair value	Valuation gain (loss)	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:						
Written	¥ 2,933	¥ (78)	¥ (78)	¥ 300	¥ -	¥ -
Purchased	3,175	30	30	56	-	-
Stock index options:						
Written	-	-	-	18	5	13
Purchased	22	2	(20)	6	4	(2)
Bond futures:						
Written	1,674	(1)	(1)	3,316	(2)	(2)
Purchased	140	-	-	2,627	(1)	(1)
Interest futures:						
Purchased	-	-	-	39,847	(1)	(1)
Forward foreign exchange:						
Written:						
U.S. dollar	124	-	-	601	(2)	(2)
South Africa Rand	120	(1)	(1)	3,128	(100)	(100)
Other	859	(6)	(6)	793	(14)	(14)
Purchased:						
U.S. dollar	-	-	-	436	2	2
South Africa Rand	-	-	-	2,993	106	106
Other	-	-	-	251	3	3

	Thousands of U.S. dollars		
	2011		
	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:			
Written	$ 35,274	$ (938)	$ (938)
Purchased	38,184	361	361
Stock index options:			
Purchased	265	24	(241)
Bond futures:			
Written	20,132	(12)	(12)
Purchased	1,684	-	-
Forward foreign exchange:			
Written:			
U.S. dollar	1,491	-	-
South Africa Rand	1,443	(12)	(12)
Other	10,331	(72)	(72)

The fair value of stock index futures, stock index options, bond futures and interest futures exchange is computed using prices on the market. The fair value of forward foreign exchange is based on the difference between the present value of future cash flows of receipt amount and the present value of future cash flows of payment amount. At March 31, 2011 and 2010, gain or loss on deemed settlement is disclosed in the "Fair value" column of stock index futures, bond futures, interest futures and forward foreign exchange above.

Derivatives utilized for non-trading purposes

The contract or notional amounts and fair value of interest rate swap contracts for non-trading purposes held at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen					
	2011			2010		
	Contract or notional amounts	Fair value	Valuation gain (loss)	Contract or notional amounts	Fair value	Valuation gain (loss)
Interest rate swaps:						
Variable rate received for fixed rate	¥ 54	¥ (1)	¥ (1)	¥ 458	¥ (5)	¥ (5)
Commodity futures:						
Written	-	-	-	63	(2)	(2)
Purchased	-	-	-	55	2	2

	Thousands of U.S. dollars		
At March 31, 2011	Contract or notional amounts	Fair value	Valuation gain (loss)
Interest rate swaps:			
Variable rate received for fixed rate	$ 649	$ (12)	$ (12)

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. At March 31, 2011 and 2010, gain or loss on deemed settlement is disclosed in the "Fair value" column above.

Derivative transactions to which hedge accounting are applied at March 31, 2011 and 2010 are summarized as follows:

		Contract or notional amounts		
		Millions of yen		Thousands of U.S.dollars
Nature of transaction	Hedged items	2011	2010	2011
Interest rate swaps:				
Variable rate received for fixed rate	Long-term borrowings	¥ 8,050	¥ 7,000	$ 96,813

*1 Hedge accounting method is the exceptional accounting method which is the difference in amounts to be paid or received on interest rate swaps being recognized over the life of the agreements as an adjustment to interest expense.

*2 Fair value of derivative financial instrument is included in fair value of the long-term borrowings as hedged items for certain long-term borrowings for which interest rate swap contracts are used to hedge the interest rate fluctuations.

26. INVESTMENT AND RENTAL PROPERTY

"Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, November 28, 2008) and its "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, November 28, 2008) require to disclose fair value of investment and rental property in the notes to financial statements.
The Company and certain consolidated subsidiaries own their rental office buildings, land etc (hereafter "rental property"). Income from the rental property is ¥161 million ($1,936 thousand) and ¥138 million for the years ended March 31, 2011 and 2010, respectively.

The amounts recognized in the consolidated balance sheet and fair values related to the rental property are as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Consolidated balance sheet amount:			
Balance at beginning of the year	¥ 5,972	¥ 6,008	$ 71,822
Increase/(decrease)	(19)	(36)	(228)
Balance at end of the year	¥ 5,953	¥ 5,972	$ 71,594
Fair value	¥ 5,845	¥ 5,783	$ 70,295

The above fair value is based on real-estate appraisals, and is estimated by the Company.

27. BUSINESS COMBINATION

On April 1, 2010, two consolidated subsidiaries of Okasan Securities Group Inc., Rokuni Securities Co., Ltd. and Oishi Securities Co., Ltd., both were merged into one single company, Sanen Securities Co., Ltd. Since the merger was between entities under common control, the merger was accounted for similar to a pooling of interests whereby the assets and liabilities were recorded at historical cost in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Guidance No. 10, December 26, 2008).

28. BALANCES AND TRANSACTIONS WITH RELATED PARTY

The Company' officer and the close relatives have a majority equity ownership in Santo Co., Ltd. at March 31, 2011 and 2010.
Transactions between the Company and Santo Co., Ltd. for the year ended March 31, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S.dollars
Transactions:		
Purchases of affiliates shares	¥ 144	$ 1,732

Transactions between the consolidated subsidiary of the Company and Santo Co., Ltd. for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Transactions:			
Loan of securities	¥ 646	¥ 581	$ 7,769

29. SEGMENT INFORMATION

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and "the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).
The Standard and the Guidance adopt the management approach. Disclosures about segments of an enterprise and related information should provide proper information on the nature of various business activities in which it engages and the economic environments in which it operates.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.
"Securities business", "Asset management business" and "Support business" are the Company's reported segments.
"Securities business" renders trading and brokerage for trading in securities, underwriting and distribution of securities, public offering and secondary distribution of securities and private offering of securities.
"Asset management business" renders investment management and investment advisory. "Support business2 renders information processing services, administrative support services, custodianship and temping services, etc.
Segment operating revenues, income, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements.
Segment income is calculated based on operating income in the consolidated statements of income.
Intersegment revenues and transfer are based on arms-length transactions.

Operating revenues, income, assets, liabilities and others by reported segments

The reported segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2011 are summarized as follows:

	Millions of yen					
	Reported segments					
	Securities	Asset management	Support	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	¥ 52,281	¥ 9,354	¥ 1,311	¥ 62,946	¥ 18	¥ 62,964
Intersegment revenues	5,443	-	9,039	14,482	(14,482)	-
Total	57,724	9,354	10,350	77,428	(14,464)	62,964
Segment income	¥ 850	¥ 655	¥ 1,251	¥ 2,756	¥ 653	¥ 3,409
Segment assets	¥ 511,174	¥ 11,833	¥ 25,822	¥ 548,829	¥ (6,292)	¥ 542,537
Segment liabilities	¥ 434,727	¥ 1,063	¥ 16,646	¥ 452,436	¥ (22,522)	¥ 429,914
Others:						
Depreciation	¥ 1,165	¥ 40	¥ 2,514	¥ 3,719	¥ 109	¥ 3,828
Amortization of goodwill	-	-	-	-	47	47
Financial income	2,840	-	-	2,840	(560)	2,280
Financial expenses	2,149	-	-	2,149	(460)	1,689
Increase in property and equipment and intangible assets	1,213	23	1,525	2,761	178	2,939

	Thousands of U.S. dollars					
	Reported segments					
	Securities	Asset management	Support	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	$ 628,755	$ 112,495	$ 15,767	$ 757,017	$ 217	$ 757,234
Intersegment revenues	65,460	-	108,707	174,167	(174,167)	-
Total	694,215	112,495	124,474	931,184	(173,950)	757,234
Segment income	$ 10,223	$ 7,877	$ 15,045	$ 33,145	$ 7,853	$ 40,998
Segment assets	$ 6,147,613	$ 142,309	$ 310,547	$ 6,600,469	$ (75,670)	$ 6,524,799
Segment liabilities	$ 5,228,226	$ 12,784	$ 200,193	$ 5,441,203	$ (270,860)	$ 5,170,343
Others:						
Depreciation	$ 14,011	$ 481	$ 30,234	$ 44,726	$ 1,311	$ 46,037
Amortization of goodwill	-	-	-	-	565	565
Financial income	34,155	-	-	34,155	(6,735)	27,420
Financial expenses	25,845	-	-	25,845	(5,532)	20,313
Increase in property and equipment and intangible assets	14,588	277	18,340	33,205	2,141	35,346

1. (1) "Adjustments in segment income" of ¥653 million ($7,853 thousand) include elimination of intersegment transactions of ¥2,771 million ($33,325 thousand) and unallocated company-wide expenses of ¥2,118 million ($25,472 thousand). Company-wide expenses are holding company's expenses.

   (2) "Adjustments in segment assets" of ¥6,292 million ($75,670 thousand) include elimination of intersegment balances of ¥38,900 million ($467,829 thousand) and unallocated company-wide assets of ¥32,608 million ($392,159 thousand). Company-wide assets are holding company's assets.

   (3) "Adjustments in segment liabilities" of ¥22,522 million ($270,860 thousand) include elimination of intersegment balances of ¥38,118 million ($458,425 thousand) and unallocated company-wide liabilities of ¥15,596 million ($187,565 thousand). Company-wide liabilities are holding company's liabilities.

2. Segment income is adjusted with operating income in the consolidated statements of income.

The reported segment information for the year ended March 31, 2010 which are restated to conform to the segmentation for the year ended March 31, 2011 are as follows:

	Millions of yen					
	Reported segments					
	Securities	Asset management	Support	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	¥ 55,898	¥ 8,577	¥ 1,709	¥ 66,184	¥ 52	¥ 66,236
Intersegment revenues	5,316	-	7,205	12,521	(12,521)	-
Total	61,214	8,577	8,914	78,705	(12,469)	66,236
Segment income	¥ 4,266	¥ 583	¥ 1,342	¥ 6,191	¥ 1,556	¥ 7,747
Segment assets	¥ 475,893	¥ 11,981	¥ 27,150	¥ 515,024	¥ (15,529)	¥ 499,495
Segment liabilities	¥ 398,005	¥ 1,365	¥ 18,160	¥ 417,530	¥ (33,613)	¥ 383,917
Others:						
Depreciation	¥ 1,036	¥ 42	¥ 1,455	¥ 2,533	¥ 170	¥ 2,703
Financial income	2,872	-	-	2,872	(394)	2,478
Financial expenses	2,184	-	-	2,184	(322)	1,862
Increase in property and equipment and intangible assets	894	20	2,429	3,343	22	3,365

1. (1) "Adjustments in segment income" of ¥1,556 million include elimination of intersegment transactions of ¥3,454 million and unallocated company-wide expenses of ¥1,898 million. Company-wide expenses are holding company's expenses.

   (2) "Adjustments in segment assets" of ¥15,529 million include elimination of intersegment balances of ¥57,098 million and unallocated company-wide assets of ¥41,569 million. Company-wide assets are holding company's assets.

(3) "Adjustments in segment liabilities" of ¥33,613 million include elimination of intersegment balances of ¥50,961 million and unallocated company-wide liabilities of ¥17,348 million. Company-wide liabilities are holding company's liabilities.

2. Segment income is adjusted with operating income in the consolidated statements of income.

Related information

1. Information by products and services
   Disclosures are omitted because operating revenues from third parties of a single product and service are over 90% of operating revenues in the consolidated statements of income.

2. Geographical information
   (1) Operating revenues
   Disclosures are omitted because operating revenues from customers in Japan are over 90% of operating revenues in the consolidated statements of income.

   (2) Property and equipment
   Disclosures are omitted because property and equipment located in Japan are over 90% of property and equipment in the consolidated balance sheets.

3. Information by major customers
   Disclosures are omitted because no particular third party whose operating revenues are over 10% of operating revenues in the consolidated statements of income exists.

Information of impairment loss on fixed assets by reported segments

Not applicable

Negative goodwill incurred by reported segments

Negative goodwill of ¥166 million ($1,996 thousand) which are not allocated to each reported segments are reported for the year ended March 31, 2011. The negative goodwill occurred when the Company acquired additional shares of its subsidiary.

Segment information for the year ended March 31, 2010

(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 for the year ended March 31, 2010.

(b) Geographic segment information
Both domestic sales and assets located in Japan are over 90% of those for all segments for the year ended March 31, 2010.

(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 year ended March 31, 2010.

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101-0053 Japan

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 its consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, and the related consolidated statement of comprehensive loss for the year ended March 31, 2011, 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 Securities Group Inc. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 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.

BDO Toyo & Co.

June 30, 2011
Tokyo, Japan
BDO Toyo & Co.

REFERENCE DATA

Balance Sheets

Okasan Securities Co., Ltd. At March 31, 2011 and 2010

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 12,191	¥ 8,504	$ 146,615
Cash segregated as deposits for customers and others	15,362	22,863	184,750
Trading assets	182,458	142,517	2,194,324
Receivables arising from unsettled trades	-	11,898	-
Receivables on margin transactions	30,800	39,821	370,415
Receivables on collateralized securities transactions	167,522	137,066	2,014,696
Short-term guarantee deposits	2,564	2,471	30,836
Deferred income taxes	578	626	6,951
Other current assets	2,580	2,667	31,028
Allowance for doubtful accounts	(5)	(37)	(60)
Total current assets	414,050	368,396	4,979,555
Property and equipment, net of accumulated depreciation	2,264	1,756	27,228
Intangible assets, net	364	385	4,378
Investments and other assets:			
Investment securities	1,064	996	12,796
Long-term guarantee deposits	3,545	3,124	42,634
Deferred income taxes	1,764	1,836	21,214
Other	1,519	1,687	18,268
Allowance for doubtful accounts	(1,073)	(1,237)	(12,904)
Total investments and other assets	6,819	6,406	82,008
TOTAL	¥ 423,497	¥ 376,943	$ 5,093,169

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities	¥ 124,404	¥ 100,337	$ 1,496,140
Payables arising from unsettled trades	28,582	-	343,740
Payables on margin transactions	16,886	24,253	203,079
Payables on collateralized securities transactions	29,024	32,822	349,056
Deposits received	12,445	16,664	149,669
Guarantee deposits received	8,666	12,546	104,221
Short-term borrowings	130,415	123,665	1,568,431
Income tax payables	194	358	2,333
Other current liabilities	4,525	4,361	54,420
Total current liabilities	355,141	315,006	4,271,089
Non-current liabilities:			
Long-term borrowings	8,900	1,850	107,035
Retirement and severance benefits	4,577	4,555	55,045
Other non-current liabilities	1,234	733	14,841
Total non-current liabilities	14,711	7,138	176,921
Financial instruments transactions reserve	768	580	9,236
Total liabilities	370,620	322,724	4,457,246
Net assets			
Shareholder's equity:			
Common stock			
Authorized − 240,000 shares			
Issued − 100,000 shares in 2011 and 2010	5,000	5,000	60,132
Capital surplus	29,200	29,200	351,173
Retained earnings	18,621	19,971	223,945
Total shareholder's equity	52,821	54,171	635,250
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	56	48	673
Total net assets	52,877	54,219	635,923
TOTAL	¥ 423,497	¥ 376,943	$ 5,093,169

Statements of Operations

Okasan Securities Co., Ltd. Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Operating revenues:			
Commissions	¥ 29,396	¥ 33,888	$ 353,530
Net gain on trading	17,786	15,998	213,903
Interest and dividend income	1,832	1,977	22,032
	49,014	51,863	589,465
Interest expense	1,484	1,486	17,848
Net operating revenues	47,530	50,377	571,617
Selling, general and administrative expenses	46,274	45,994	556,512
Operating income	1,256	4,383	15,105
Other income (expenses):			
Provision for financial instruments transactions reserve	(188)	(163)	(2,261)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(411)	-	(4,943)
Other, net	328	153	3,945
	(271)	(10)	(3,259)
Income before income taxes	985	4,373	11,846
Income taxes:			
Current	721	854	8,671
Deferred	114	1,193	1,371
	835	2,047	10,042
Net income	¥ 150	¥ 2,326	$ 1,804

CORPORATE DATA

(At July, 2011)

Company Name
OKASAN SECURITIES GROUP INC.

Date of Establishment
August 25, 1944

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

Muromachi Head Office
2-2-1 Nihonbashi Muromachi, Chuo-ku,
Tokyo 103-0022, Japan

Phone Number
+81-3-3272-2222

Paid-in Capital
18,590 Million Yen

Subsidiaries
10 companies

BOARD OF DIRECTORS

(At July, 2011)

Chairman
Seiichi Kato

President
Tetsuo Kato

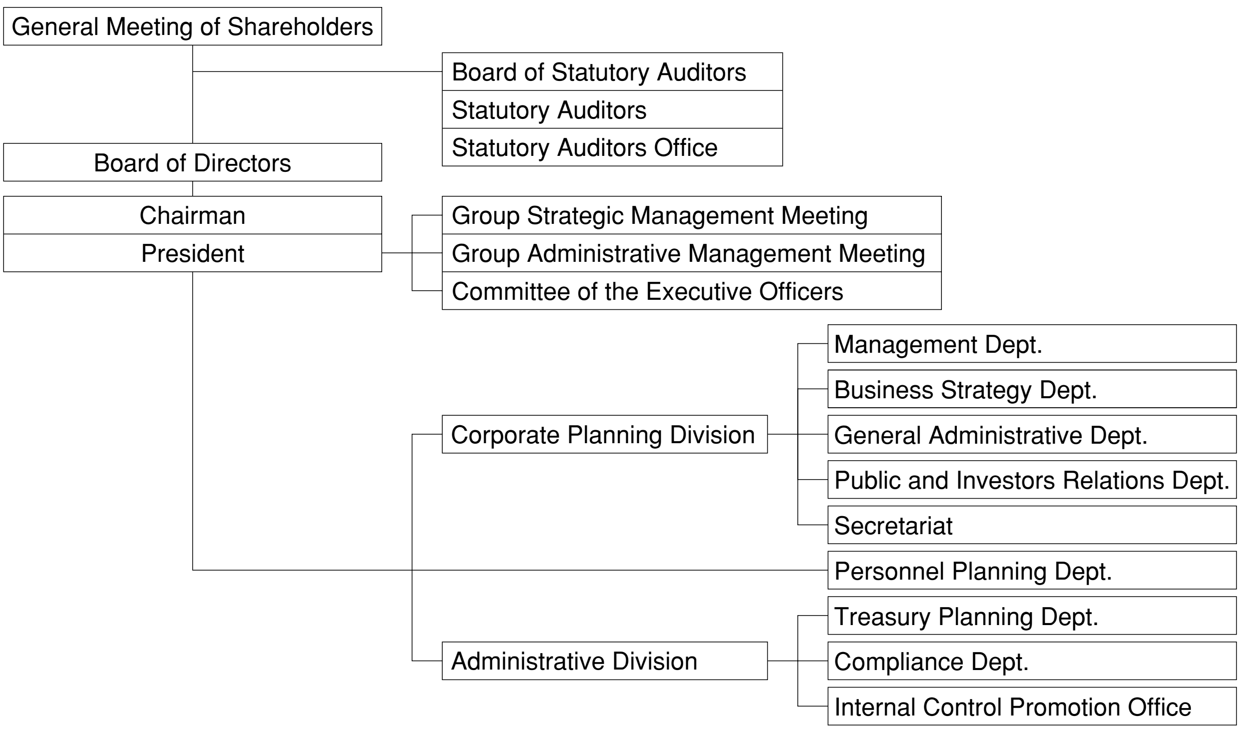
Senior Managing Director
Hiroyuki Shinshiba
Kazuhiko Nonaka

Director
Kenichi Tanaka
Masanori Kanai
Hiroyuki Shindo

Statutory Auditors
Tetsumi Iwaki
Koichi Saku
Hirosuke Minami
Tokio Hiraragi
Yukihiro Asano
Takao Saga

ORGANIZATION CHART

(At July, 2011)



OKASAN SECURITIES GROUP INC.

http://www.okasan.jp/