OKASAN
SECURITIES GROUP

ANNUAL REPORT

Ending March 31, 2010

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 and temporary staffing.

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

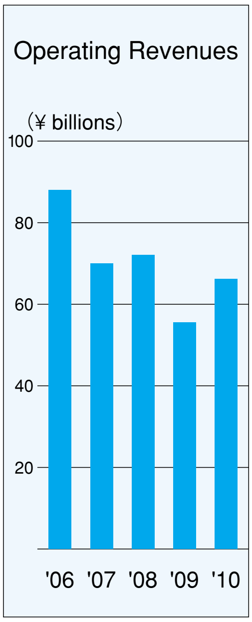
Contents

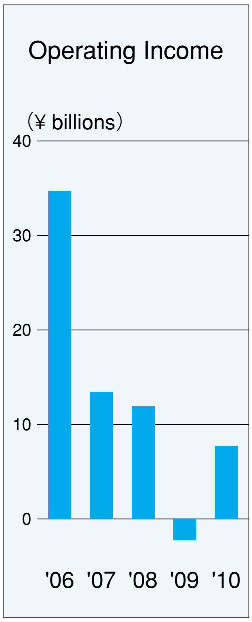
Consolidated Financial Highlights

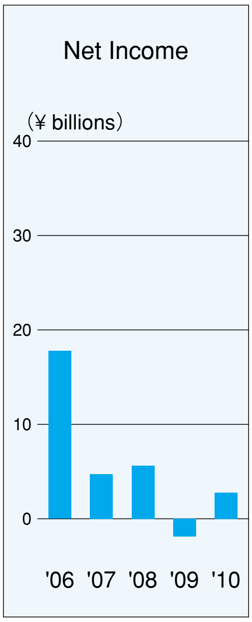
Okasan Securities Group Inc. and consolidated Subsidiaries Years ended March 31, 2010 and 2009

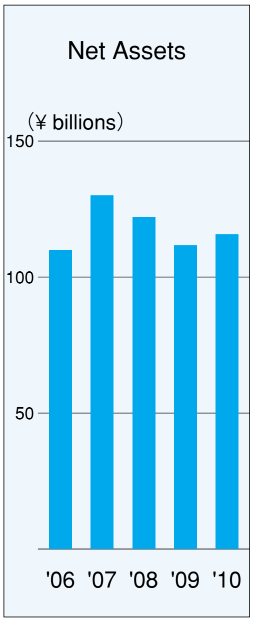
	Millions of yen		Thousands of U.S.dollars (note)
	2010 (4/1/09〜3/31/10)	2009 (4/1/08〜3/31/09)	2010 (4/1/09〜3/31/10)
Operating revenues	¥66,236	¥55,554	$711,909
Operating income	7,747	△2,270	83,265
Net income	2,786	△1,881	29,944
Total assets	499,495	424,993	5,368,605
Net assets	115,578	111,525	1,242,240
Per share of common stock	Yen		U.S.dollars (note)
Basic net income	¥13.63	¥△9.20	$0.15
Cash dividends applicable to the year	7.50	5.00	0.08

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 31,2010, which was ¥93.04 to U.S.$1.









Management Policy

Okasan Securities Group Inc. and Consolidated Subsidiaries

1. Basic management policy for the Company

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

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

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

3. Important management index

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

4. Medium and long-term management strategy

(1) Medium-term business plan and progress towards achievement

Okasan Securities Group Inc. has developed and implemented a medium-term business plan for the period from April 2008 through the end of March 2011 (from FY2008 to FY2010). Although we suspended the pursuit of numerical targets against a backdrop of financial market turmoil from autumn 2008 onward, we have maintained the basic content of group policies and implementation of important measures, focusing on qualitative goals and key strategies. We have also implemented special measures in response to rapid changes in the market and business environment.

In the fiscal year ending March 2010, the second year of the plan, Okasan Securities strove for improvement in investment content, particularly in forecasting ability, as a way of strengthening its ability to provide in products and investment information. In addition, to develop our ability to advise on asset management, the core subsidiary of the Group reviewed the structure of business operations at branches and renovated the Ise Branch. In IT infrastructure, Okasan worked on upgrading its main platform to be well prepared for the Tokyo Stock Exchange's newly introduced “Arrowhead” trading system. In addition, we have continued to develop the core system, “Okasan Database Information Node (ODIN)”. Another upgrade was also made to the listed FX trading system “Click 365” of Okasan Online Securities. The Group also implemented the merger of Rokuni Securities Co., Ltd. and Oishi Securities Co., Ltd., in search of a new business model as a community-based securities-business style.

(2) Revision of the medium-term business plan

The Group has steadily implemented various initiatives of its plan formed for the period from April 2008 through the end of March 2011. However, we suspended the pursuit of numerical targets reflecting turmoil in global financial markets, triggered by the Lehman Shock in autumn 2008, and shifted management focus on measures to respond to emergency conditions in the market. We subsequently lifted the emergency mode partly because we were able to post profits in the year ending March 2010 despite the current difficult business environment. In addition, we have formed a new medium-term business plan to achieve further growth of the Group through the period ending 2013, when Okasan will celebrate its 90th anniversary.

In the new medium-term business plan, keeping the basic policy of “Do all we can for each and every one of our clients” intact, the Group will focus on improving service quality. Also, the Group aims to establish a business platform that delivers stable growth, regardless of any operating environment, and enhance its presence in the market by providing the highest-quality products, information and services. We would like to establish a securities business model tailored to local markets, each with its own particular characteristics.

In parallel with forming the Group's new medium-term business plan, Okasan Securities Co., Ltd., a core member of the Group, formed its own new medium-term business plan, where the core subsidiary, too, aims to be a securities company that provides the highest-quality asset management advice by further strengthening its customer-oriented culture with a focus on providing “optimal investments from a global perspective.”

The period of the new medium-term business plan is three years from April 2010 through the end of March 2013 (from FY2010 to FY2012).

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 social, political, and economic environment in Japan and abroad are changing so drastically that a conventional investment style is no longer effective. Meanwhile, demand for quality investment advice has become decidedly stronger.

We believe what is most important is to enhance the value of the Group as a whole by implementing the new medium-term business plan and establishing a business platform to deliver stable growth, under our basic policy of “Do all we can for each and every one of our clients.”

For this reason, we will hone our ability to flexibly provide products and information services to meet the needs of each client, as we believe our competitive edge lies in these capabilities. We will also make every effort to provide the best products, information and services from a global perspective, commit to distinguish ourselves in a community-grounded style in business, and be the most trusted house and best partner to our clients with regard to asset management advice.

6. Outline of corporate governance structure

(1) Basic concepts regarding corporate governance

As globalization progresses and a management tends to attach greater importance to corporate value, corporate governance is becoming increasingly important for a company. In this environment, we regard improvements in corporate governance as one of the important managerial tasks and are working to improve it through measures such as creating a structure that brings quick decision making and business execution, constructing an internal control system, strengthening of a risk management system and ensuring transparency with a timely disclosure of corporate information.

(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 8 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 meetings of “management strategy of the Group” and “business management of the Group” 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 2 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.

(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, 2010 and 2009

I. Analysis of operating results

In the current fiscal year, the Japanese economy followed a path of normalization subsequent to the global financial crisis, which took place in the second half of the previous fiscal year. In particular, exports experienced a clear recovery in the second half of the fiscal year. After bottoming, corporate earnings also improved thanks to domestic and international measures for monetary and fiscal support. Furthermore, in some areas, capital expenditures for new equipment picked up. That said, declining wages and a tough employment environment dragged down consumer spending, despite government support via distribution of fixed-amount cash benefits, tax credits for eco-friendly cars, and an eco-point system for consumer durables.

While the yen was initially weak at the beginning of the fiscal year, the following trend was a sell-off of the US dollar against most other currencies due primarily to concerns regarding the ballooning US budget deficit and strong demand for emerging market currencies. Consequently, the yen rose as high as the ¥84/dollar level in November. Thereafter, the dollar turned around on market expectations for interest rate hikes in the US as well as the Bank of Japan's shift to a more accommodative monetary policy. Thus, the exchange rate as of the fiscal year end was around ¥93/dollar. On the other hand, a relatively strong euro suddenly tumbled at the beginning of 2010, due to the sovereign debt problems of Greece and other European countries. After the euro fell to below the ¥120/euro level, it rebounded to around the ¥126 level at the end of the fiscal year.

In the stock market, the Nikkei 225 broke the 10,000 mark in June, driven by receding worries regarding the global financial crisis and accumulating optimism for an economic recovery. The market then entered range trading around the 10,000 level, followed by a bear trend through the end of November to around 9,000 due to a stronger yen versus the dollar, concerns regarding large equity finances, and the credit crisis in Dubai. However, additional accommodative policies by the Bank of Japan in December capped the appreciating yen and encouraged offshore investors to buy back export-oriented stocks. The Nikkei 225 closed at 11,089.94 at the end of the fiscal year, a 36.8% rise from a year ago and the first time in the last three years where it has shown an increase at the fiscal year end.

Fixed income markets showed a weaker trend after early April 2009. The recovery of stock markets in the US and Japan, a rise in the US long bond yield, and concerns about additional issuance of Japanese Government Bonds caused the 10-year JGB yield to continue its rise. After hitting highs of 1.560% in June, yields continued to be somewhat volatile, trading between 1.20 and 1.50%. In early December, when the Bank of Japan held a monetary policy meeting and decided to introduce new fund-supplying operations, the yield fell to 1.190%. However, tightening policies in some emerging countries and the higher US long bond yield brought about a modest rise in the JGB yield, ending up at 1.395% for the fiscal year.

In this environment, in response to various needs of clients, Okasan Securities Co., Ltd., the core member of the Group, has made efforts to provide higher quality investment information and has focused on proposal-oriented services, including investment trust funds and foreign stocks and bonds. The core company also held its Shisan Kenko Fair to promote health and healthy investment with an focus on clients' newly deposited assets. In addition, the company widened its product coverage, including an enhanced broking platform for ADRs of Brazilian shares. Okasan Online Securities enhanced its investment tools, including “Okasan Net Trader” and “Okasan RSS”. The internet trading subsidiary also expanded its product line and conducted a promotional campaign to introduce new clients. In March 2010, the forex trading system was upgraded through the introduction of “Okasan Online FX (Click 365)”. Okasan Asset Management focused on the launch of a new investment trust funds and expansion of its sales network. As a result, institutions including regional banks are newly included as sales channels.

As a result of the above-mentioned activities, gross operating revenues of the Okasan Securities Group rose 19.2% from a year ago, to ¥66,236 million, and net operating revenues increased 20.8%, to ¥64,374 million. Selling, general and administrative expenses edged up 1.9% from a year ago, to ¥56,627 million. Consequently, Net income was ¥2,786 million, compared with a net loss of ¥1,881 million in the previous fiscal year.

1. Fees and commissions received

Total fees and commissions received increased 29.2% from the previous fiscal year, to ¥43,847 million. A breakdown of major items is shown as follows:

(1) Brokerage commissions

The average daily trading volume (Japanese common stock) on the Tokyo Stock Exchange in the current fiscal year increased 5.0% from year ago to 2,322 million shares, while trading value fell 23.5% from year ago, to ¥1,553.1 billion. Despite the mixed environment, the Okasan Group's stock brokerage commissions rose 6.7%, to ¥13,287 million, from a year ago. The increased volume in equity brokerage at Okasan Online Securities was one of the drivers of the commission increase. Bond brokerage commissions increased 223.5% from a year ago, to ¥83 million. Other brokerage commissions rose 405.0% from a year ago, to ¥1,163 million, reflecting the growth in FX trading. Consequently, total brokerage commissions in the current fiscal year rose 14.3% from a year ago, to ¥14,533 million.

(2) Underwriting fees and selling concessions, and commissions on the sale of financial instruments to specified investors and other

Thanks to a series of large-scale financing primarily by leading financial institutions, the number and amount of deals surged from the previous fiscal year's level and made this year historical boom in equity finance. As a result, revenue from primary equity markets increased 313.6% from a year ago, to ¥574 million. On the other hand, with the contribution of lead manager fees in municipal bonds and corporate bonds, as well as fees from the underwriting of CB-type bonds with warrants, revenue from primary bond markets increased 80.1% from a year ago, to ¥101 million. As a result, total of underwriting fees, selling concessions, and commissions on solicitation for sale of financial instrument to qualified investors and other, increased 246.1% to ¥675 million.

(3) Administrative charges on offering, selling and solicitation for sale of financial instrument to specified investors, and other earned commissions.

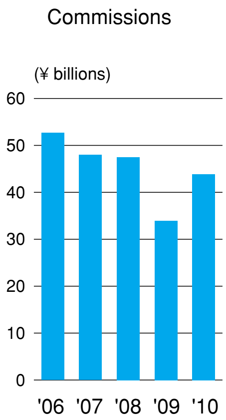
This revenue category is dominated by investment trust funds. During the fiscal year, the Group focused on the marketing of existing funds, including the “Asia Oceania High Yield and Growth Open” and “Emerging Sovereign Open (nicknamed as Atlas)”, and made efforts so that the clients could accumulate assets under custody. Furthermore, aiming to widen the product line-up, the Group launched various types of new funds, including “World Best Companies (WBC) Series” funds (for Japan, the US and China), a fund focusing on environmental and natural resource related stocks, a fund investing in infrastructure related stocks in Brazil and India, and a fund investing in stocks and bonds in Asia and Oceania. As a result, administrative charges on offering, selling and solicitation for sale of financial instruments to specified investors increased 72.8% from a year ago, to ¥17,676 million. On the other hand, other earned commissions edged up 1.5% from a year ago, to ¥10,963 million, due to the contribution items including administrative charges for investment trust funds and sales commissions for insurance policies.

Fees and Commissions received

Breakdown by category

(Millions of yen except percentage)

	2010<A> (4/1/09～3/31/10)	2009<B> (4/1/08～3/31/09)	Ratio <A>/<B>
Brokerage commissions	¥14,533	¥12,713	114.3
Equities	13,287	12,457	106.7
Bonds	83	26	323.5
Others	1,163	230	505.0
Underwriting fees and selling concessions	675	195	346.1
Equities	574	139	413.6
Bonds	101	56	180.1
Placement commissions	17,676	10,228	172.8
Other commissions	10,963	10,804	101.5
Total	¥43,847	¥33,940	129.2



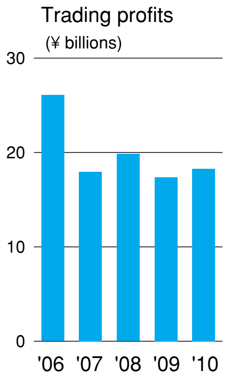
Breakdown by Product

(Millions of yen except percentage)

	2010<A> (4/1/09～3/31/10)	2009<B> (4/1/08～3/31/09)	Ratio <A>/<B>
Equities	¥14,138	¥12,859	109.9
Bonds	363	283	127.9
Investment trusts	27,412	19,629	139.7
Others	1,934	1,169	165.4
Total	¥43,847	¥33,940	129.2

2. Trading profits

Although trading of Japanese shares was relatively light during the fiscal year, foreign stocks such as Chinese shares and Brazilian ADRs drove growth in trading in response to investors' strong demand for emerging markets. Consequently, net trading profits on equities rose 103.5% from a year ago, to ¥7,802 million. On the other hand, reflecting the decline in sales of foreign currency denominated bonds to individuals triggered by the stronger yen and lower interest rates in offshore markets, net trading profits on bonds decreased 19.2% from a year ago, to ¥10,816 million. Extremely volatile foreign exchange markets caused other trading to record a loss of ¥335 million, compared with trading profits of ¥136 million a year ago. As a result, total trading profits increased 5.3% to ¥18,283 million.



Trading profit/loss

(Millions of yen except percentage)

	2010<A> (4/1/09～3/31/10)	2009<B> (4/1/08～3/31/09)	Ratio <A>/<B>
Equities, etc.	¥ 7,802	¥ 3,834	203.5
Bonds, etc.	10,816	13,394	80.8
Others	△335	136	―
Total	¥18,283	¥17,364	105.3

3. Net financial income

Interest and dividend income decreased 4.2%, to ¥2,478 million, and interest expenses decreased 18.0%, to ¥1,862 million. As a result, net financial income increased 94.4%, to ¥616 million.

4. Other operating income

Operating income from operations other than the financial instrument exchange business or its incidental business decreased 2.1%, to ¥1,628 million.

5. Selling, general and administrative expenses

Selling, general and administrative expenses edged up 1.9% from a year ago, to ¥56,627 million due mainly to a rise in personnel expenses and depreciation charges. However, the rise was partly offset by a decline in real estate related expenses thanks to negotiation on rents and other efforts.

6. Other income (expenses)

Net of other income and expenses was a loss of ¥193 million, or a ¥1,403 million decrease from the previous fiscal year, due mainly to the absence of reversal of financial instruments transactions reserve, absence of amortization of negative goodwill, and a decrease in profit on the sale of investment securities.

7. Dividends

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

For fiscal 2010 we proposed a ¥7.5 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 rose ¥74,502 million from the end of previous fiscal year, to ¥499,495 million. The increase was mainly due to a ¥28,452 million rise in cash segregated as deposits for customers and others, a ¥27,701 million increase in trading assets, and a ¥12,970 million gain in margin transaction related assets.

Total liabilities increased ¥70,449 million from the end of previous fiscal year, to ¥383,917 million. The rise was mainly due to a ¥60,261 million increase in short-term borrowings and a ¥8,362 million rise in guarantee deposits received.

Net assets rose ¥4,053 million from the end of previous fiscal year, to ¥115,578 million. This was mainly due to a ¥1,780 million increase in retained earnings and a ¥1,553 million rise in unrealized gains on available-for-sale securities.

2. Cash flows

Cash and cash equivalents (“funds”) increased ¥2,273 million from the end of the previous fiscal year, to ¥36,250 million (a 6.7% rise from a year ago). Cash flows and important factors in cash flows are shown below.

<Cash flows from operating activities>

Operating activities resulted in a cash outflow of ¥48,903 million (compared to an inflow of ¥49,510 million in the previous year). Outflows included ¥34,905 million in increase in the net balance of trading assets and ¥27,700 million in increase in deposits segregated for customers. These were offset by an inflow of ¥8,362 million from an increase in guarantee deposits received.

<Cash flows from investing activities>

Investing activities caused a cash outflow of ¥1,285 million, or a 46.2% decline from a year ago. Outflows included ¥2,351 million in payment for investment securities and ¥2,271 million in payment for intangible fixed assets. These were offset by a cash inflow of ¥2,383 million from the sale of investment securities.

<Cash flows from financing activities>

Financing activities resulted in a cash inflow of ¥52,613 million (compared to an outflow of ¥41,951 million in the previous year), due primarily to an increase in short-term borrowings.

Consolidated Balance Sheets

Okasan Securities Group Inc. and Consolidated Subsidiaries — At March 31, 2010 and 2009

	Millions of yen		Thousands of U.S.dollars (note 3)
	2010	2009	2010
ASSETS			
Current assets:			
Cash on hand and in banks (notes 11 and 20)	¥ 41,440	¥ 40,651	$ 445,400
Cash segregated as deposits for customers and others	57,701	29,249	620,174
Trading assets (notes 4 and 11)	142,869	115,168	1,535,566
Receivables arising from unsettled trades	12,388	9,778	133,147
Receivables on margin transactions (note 5)	44,338	31,368	476,548
Receivables on collateralized securities transactions (note 6)	137,066	131,796	1,473,194
Short-term investments (notes 7 and 11)	601	2,179	6,460
Deferred income taxes (note 12)	968	1,983	10,404
Other current assets	7,750	12,556	83,297
Allowance for doubtful accounts	(39)	(22)	(419)
Total current assets	445,082	374,706	4,783,771
Property and equipment, net of accumulated depreciation of ¥10,660 million ($114,574 thousand) in 2010 and ¥10,281 million in 2009 (notes 9 and 11)	16,000	15,927	171,969
Intangible assets, net (note 9)	10,427	9,551	112,070
Investments and other assets:			
Investment securities (notes 7, 8 and 11)	20,712	16,613	222,614
Long-term guarantee deposits	3,218	3,282	34,587
Deferred income taxes (note 12)	2,064	2,992	22,184
Other	3,854	3,760	41,423
Allowance for doubtful accounts	(1,862)	(1,838)	(20,013)
Total investments and other assets	27,986	24,809	300,795
TOTAL	¥ 499,495	¥ 424,993	$ 5,368,605

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets－*(Continued)*

Okasan Securities Group Inc. and Consolidated Subsidiaries － At March 31, 2010 and 2009

	Millions of yen		Thousands of U.S.dollars (note 3)
	2010	2009	2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities (note 4)	¥ 100,447	¥ 105,041	$ 1,079,611
Payables on margin transactions (notes 5 and 11)	25,384	18,705	272,829
Payables on collateralized securities transactions (note 6)	32,822	37,638	352,773
Deposits received	22,871	15,447	245,819
Guarantee deposits received	29,746	21,384	319,712
Short-term borrowings (notes 10 and 11)	147,326	87,065	1,583,470
Income tax payables (note 12)	2,532	323	27,214
Other current liabilities (note 12)	5,207	4,774	55,965
Total current liabilities	366,335	290,377	3,937,393
Non-current liabilities:			
Long-term borrowings (notes 10 and 11)	4,960	11,379	53,311
Lease liabilities (note 10)	758	365	8,147
Deferred income taxes (note 12)	2,301	1,948	24,731
Retirement and severance benefits (note 13)	6,156	6,113	66,165
Other non-current liabilities	2,552	2,769	27,429
Total non-current liabilities	16,727	22,574	179,783
Financial instruments transactions reserve (note 14)	855	517	9,189
Total liabilities	383,917	313,468	4,126,365
Net assets			
Shareholders' equity (note 15):			
Common stock			
Authorized－750,000,000 shares in 2010 and 2009			
Issued－208,214,969 shares in 2010 and 2009	18,590	18,590	199,806
Capital surplus	12,919	12,919	138,854
Retained earnings	65,363	63,583	702,526
Treasury stock, at cost, 3,843,901 shares in 2010 and 3,802,640 shares in 2009	(1,877)	(1,859)	(20,174)
Total shareholders' equity	94,995	93,233	1,021,012
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities (note 7)	1,556	3	16,724
Surplus on land revaluation (note 16)	235	235	2,526
Foreign currency translation adjustments	(476)	(321)	(5,116)
Total valuation and translation adjustments	1,315	(83)	14,134
Minority interests	19,268	18,375	207,094
Total net assets	115,578	111,525	1,242,240
Commitments and contingencies (note 21)			
TOTAL	¥ 499,495	¥ 424,993	$ 5,368,605

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Okasan Securities Group Inc. and Consolidated Subsidiaries － Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S.dollars (note 3)
	2010	2009	2010
Operating revenues:			
Commissions	¥ 43,847	¥ 33,940	$ 471,270
Net gain on trading	18,283	17,364	196,507
Interest and dividend income	2,478	2,587	26,634
Service fee and other revenues	1,628	1,663	17,498
	66,236	55,554	711,909
Interest expense	1,862	2,271	20,013
Net operating revenues	64,374	53,283	691,896
Selling, general and administrative expenses (note18)	56,627	55,553	608,631
Operating income (loss)	7,747	(2,270)	83,265
Other income (expenses):			
Dividend income	330	427	3,547
Amortization of negative goodwill	-	684	-
Interest expense	(130)	(144)	(1,397)
Gain on sale of investment securities	98	637	1,053
Loss on devaluation of investment securities	(153)	(1,013)	(1,644)
Reversal of reserve for securities transactions	-	920	-
Provision for financial instruments transactions reserve	(338)	-	(3,633)
Other, net	-	(301)	-
	(193)	1,210	(2,074)
Income (loss) before income taxes and minority interests	7,554	(1,060)	81,191
Income taxes (note 12):			
Current	2,865	569	30,793
Deferred	1,139	138	12,242
	4,004	707	43,035
Minority interests	764	114	8,212
Net income (loss)	¥ 2,786	¥ (1,881)	$ 29,944

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, 2010 and 2009

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balances at March 31, 2008	¥ 18,590	¥ 12,944	¥ 68,479	¥ (1,856)	¥ 98,157
Changes arising during the year:					
Decrease resulting from a change in interest in consolidated subsidiaries		(4)			(4)
Cash dividends			(3,015)		(3,015)
Net loss			(1,881)		(1,881)
Purchase of treasury stock				(98)	(98)
Disposition of treasury stock		(21)		131	110
Changes of treasury stock arising from a change in interest in consolidated subsidiaries				(36)	(36)
Net changes other than shareholders' equity					
Total changes during the year	-	(25)	(4,896)	(3)	(4,924)
Balances at March 31, 2009	18,590	12,919	63,583	(1,859)	93,233
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

	Millions of yen					
	Valuation and translation adjustments					
	Unrealized gain on available-for-sale securities	Surplus on land revaluation	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balances at March 31, 2008	¥ 4,221	¥ 197	¥ (276)	¥ 4,142	¥ 19,721	¥ 122,020
Changes arising during the year:						
Decrease resulting from a change in interest in consolidated subsidiaries						(4)
Cash dividends						(3,015)
Net loss						(1,881)
Purchase of treasury stock						(98)
Disposition of treasury stock						110
Changes of treasury stock arising from an increase in interest in a consolidated subsidiary						(36)
Net changes other than shareholders' equity	(4,218)	38	(45)	(4,225)	(1,346)	(5,571)
Total changes during the year	(4,218)	38	(45)	(4,225)	(1,346)	(10,495)
Balances at March 31, 2009	3	235	(321)	(83)	18,375	111,525
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

	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, 2009	$ 199,806	$ 138,854	$ 683,394	$ (19,981)	$ 1,002,073
Changes arising during the year:					
Cash dividends			(10,812)		(10,812)
Net income			29,944		29,944
Purchase of treasury stock				(193)	(193)
Net changes other than shareholders' equity					
Total changes during the year	-	-	19,132	(193)	18,939
Balances at March 31, 2010	$ 199,806	$ 138,854	$ 702,526	$ (20,174)	$ 1,021,012

	Thousands of U.S. dollars (note 3)					
	Valuation and translation adjustments					
	Unrealized gain on available-for-sale securities	Surplus on land revaluation	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balances at March 31, 2009	$ 32	$ 2,526	$ (3,450)	$ (892)	$ 197,496	$1,198,677
Changes arising during the year:						
Cash dividends						(10,812)
Net income						29,944
Purchase of treasury stock						(193)
Net changes other than shareholders' equity	16,692	-	(1,666)	15,026	9,598	24,624
Total changes during the year	16,692	-	(1,666)	15,026	9,598	43,563
Balances at March 31, 2010	$ 16,724	$ 2,526	$ (5,116)	$ 14,134	$ 207,094	$1,242,240

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okasan Securities Group Inc. and Consolidated Subsidiaries — Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S.dollars (note 3)
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 7,554	¥ (1,060)	$ 81,191
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,703	2,115	29,052
Interest and dividend income	(2,823)	(3,033)	(30,342)
Interest expense	1,992	2,415	21,410
Gain on sale of investment securities	37	(392)	398
Loss on devaluation of investment securities	153	1,012	1,644
Amortization of negative goodwill	-	(684)	-
Decrease (increase) in deposits segregated for customer	(27,700)	(11,350)	(297,721)
Decrease (increase) in trading assets and increase (decrease) in trading liabilities	(34,905)	13,049	(375,161)
Decrease (increase) in receivables on margin transactions and increase (decrease) in payables on margin transactions	(6,292)	20,453	(67,627)
Decrease (increase) in receivables on collateralized securities transactions and increase (decrease) in payables on collateralized securities transactions	(10,086)	23,624	(108,405)
Increase (decrease) in deposits received	7,536	2,664	80,997
Decrease (increase) in short-term guarantee deposits	2,090	(2,008)	22,464
Increase (decrease) in guarantee deposits received	8,362	9,697	89,875
Increase (decrease) in allowance for doubtful accounts	41	59	441
Increase (decrease) in retirement and severance benefits	43	(258)	462
Increase (decrease) in financial instruments transactions reserve	338	(920)	3,633
Other, net	(588)	(1,525)	(6,320)
Sub-total	(51,545)	53,858	(554,009)
Interest and dividend received	2,790	3,457	29,987
Interest paid	(2,011)	(2,427)	(21,615)
Income taxes paid	1,863	(5,378)	20,024
Net cash provided by (used in) operating activities	(48,903)	49,510	(525,613)

	Millions of yen		Thousands of U.S.dollars (note 3)
	2010	2009	2010
Cash flows from investing activities:			
Payment for purchase of property and equipment	(434)	(873)	(4,664)
Payment for intangible assets	(2,271)	(3,340)	(24,409)
Payment for investment securities	(2,351)	(513)	(25,269)
Proceeds from sale of investment securities	2,383	2,072	25,613
Payment for investments in affiliates	-	(461)	-
Other, net	1,388	728	14,918
Net cash used in investing activities	(1,285)	(2,387)	(13,811)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	55,560	(34,944)	597,162
Proceeds from long-term borrowings	3,180	-	34,179
Payments on long-term borrowings	(4,876)	(3,848)	(52,408)
Purchase of treasury stock	(18)	(98)	(193)
Dividends paid to shareholders	(1,005)	(3,015)	(10,802)
Dividends paid to minority shareholders of subsidiaries	(35)	(46)	(376)
Other, net	(193)	-	(2,074)
Net cash provided by (used in) financing activities	52,613	(41,951)	565,488
Effect of exchange rate changes on cash and cash equivalents	(152)	(41)	(1,634)
Net increase in cash and cash equivalents	2,273	5,131	24,430
Cash and cash equivalents, beginning of year	33,977	28,846	365,187
Cash and cash equivalents, end of year (note 20)	¥ 36,250	¥ 33,977	$ 389,617

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Securities Group Inc. and Consolidated Subsidiaries ― Years ended March 31, 2010 and 2009

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation ― The consolidated financial statements for the year ended March 31, 2010 include the accounts of the Company and its 11 subsidiaries (11 subsidiaries in 2009). There are no affiliates accounted for by equity method in 2010 and 2009.

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

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

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

n. ***Directors' bonus*** – Directors' bonuses are accounted for as an expense when such bonuses are accrued.

o. ***Reclassifications*** – Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used in consolidated statements as of and for the year ended March 31, 2010.

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, 2010, which was ¥93.04 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, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Trading assets:			
Equity securities and warrants	¥ 1,885	¥ 176	$ 20,260
Government, corporate and other bonds	134,988	114,974	1,450,860
Commercial paper and certificates of deposit	5,992	-	64,403
Derivatives	4	18	43
	¥ 142,869	¥ 115,168	$ 1,535,566

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Trading liabilities:			
Equity securities and warrants	¥ 707	¥ 127	$ 7,599
Government, corporate and other bonds	93,721	104,900	1,007,319
Commercial paper and certificates of deposit	5,993	-	64,413
Derivatives	26	14	280
	¥ 100,447	¥ 105,041	$ 1,079,611

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Assets:			
Loans receivable from customers	¥ 34,226	¥ 20,258	$ 367,863
Cash deposits as collateral for securities borrowed from securities finance companies	10,112	11,110	108,685
	¥ 44,338	¥ 31,368	$ 476,548
Liabilities:			
Borrowings from securities finance companies	¥ 10,547	¥ 6,663	$ 113,360
Proceeds from securities sold for customers' accounts	14,837	12,042	159,469
	¥ 25,384	¥ 18,705	$ 272,829

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, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Assets:			
Cash collateral for securities borrowed	¥ 137,066	¥ 131,796	$ 1,473,194
Liabilities:			
Cash collateral for securities loaned	¥ 32,822	¥ 37,638	$ 352,773

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, 2010 and 2009 is summarized as follows:

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

	Thousands of U.S.dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2010				
Current:				
Government, corporate and other bonds	$ 6,438	$ 22	$ -	$ 6,460
Non-current:				
Equity securities	$ 124,925	$ 46,389	$ (13,801)	$ 157,513
Government, corporate and other bonds	3,192	172	-	3,364
Other	7,438	902	(161)	8,179
	$ 135,555	$ 47,463	$ (13,962)	$ 169,056

Securities classified as available-for-sale securities for which fair value is not available are unlisted equity securities amounting to ¥4,741million ($50,957 thousand) and ¥2,737 million, and investments in limited partnership and similar partnership amounting to ¥241 million ($2,590 thousand) and ¥322 million at March 31, 2010 and 2009, respectively.

For the year ended March 31, 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
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
Equity securities	$ 1,096	$ 215	$ (548)
Government, corporate and other bonds	17,197	-	-
Other	7,330	838	(892)
	$ 25,623	$ 1,053	$ (1,440)

For the year ended March 31, 2009, proceeds from sales of available-for-sale securities were ¥2,072 million, gross realized gains were ¥637 million, and gross realized losses were ¥244 million.

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2010 and 2009 are ¥22 million ($236 thousand) and ¥22 million, respectively.

9. IMPAIRMENT OF LONG-LIVED ASSETS

The Company recorded a loss on impairment on the following assets in the year ended March 31, 2009.

Location	Usage	Description	Millions of yen
Chuo-ku, Tokyo and 1 other location	Operation branch	Buildings	¥ 15
		Furniture and fixtures	10
		Leased assets	6
Chuo-ku, Tokyo	Business asset	Software etc.	16

For the companies that own real estate for lease, the Company groups the long-lived assets by individual real estate, and for other companies, the Company groups the long-lived assets by operation branch or business group. The Company has recognized a loss on impairment on operation branches because its performance was so weak and no recovery is expected. Their book values were reduced to the respective net realizable value of each asset. The net realizable value of the operation branches is estimated zero because no conversion or sale is expected. The net realizable value of the business assets is estimated by the value in use and is estimated zero because the estimated future cash flow is minus.

10. BORROWINGS

The weighted-average interest rates applicable to the short-term borrowings are 0.74% and 0.97% at March 31, 2010 and 2009, respectively.
Long-term borrowings at March 31, 2010 and 2009 consist of the following:

	Millions of yen				Thousands of U.S.dollars	
	2010		2009		2010	
Borrowings, maturing in installments through 2014; bearing weighted average interest of 2.79% and 2.97% at March 31, 2010 and 2009, respectively	¥	14,449	¥	16,145	$	155,299
Less current installments		9,489		4,766		101,988
	¥	4,960	¥	11,379	$	53,311

Lease liabilities at March 31, 2010 and 2009 consist of the following:

	Millions of yen				Thousands of U.S.dollars	
	2010		2009		2010	
Lease liabilities maturing in installments through 2016; bearing weighted average interest of 3.69% and 3.71% at March 31, 2010 and 2009, respectively	¥	1,030	¥	471	$	11,071
Less current installments		272		106		2,924
	¥	758	¥	365	$	8,147

(1) Current installments of long-term borrowings are included in short-term borrowings in the accompanying balance sheets.
(2) Long-term borrowings included subordinated borrowings provided in Article 2 of the "Cabinet Office Ordinance Concerning Financial Instruments Business" (the Prime Minister's Office Ordinance No. 52, 2007) as follows:

	Millions of yen				Thousands of U.S.dollars	
	2010		2009		2010	
Current installments of long-term borrowings	¥	4,500	¥	2,700	$	48,366
Long-term borrowings		1,850		6,350		19,884

Annual maturities of borrowings after March 31, 2011, are as follows:

	Millions of yen		Thousands of U.S.dollars	
Year ending March 31				
2012	¥	2,167	$	23,291
2013		442		4,751
2014		2,289		24,602
2015		61		656

Annual maturities of lease liabilities after March 31, 2011, are as follows:

	Millions of yen	Thousands of U.S.dollars
Year ending March 31		
2012	¥ 283	$ 3,042
2013	279	2,999
2014	148	1,591
2015	39	419

To meet its liquidity needs stably and expeditiously and to strengthen financial operations, the Company established a ¥22,000 million ($236,457 thousand) commitment line contracts with 8 financial institutions at March 31, 2010 and a ¥24,000 million commitment line contracts with 10 financial institutions at March 31, 2009. There were no borrowings under the commitment line contracts both at March 31, 2010 and 2009.

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

11. PLEDGED ASSETS

At March 31, 2010 and 2009, the carrying value of assets pledged is as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Cash in banks	¥ 3,746	¥ 6,255	$ 40,262
Trading assets	26,726	25,041	287,253
Short-term investments	-	642	-
Property and equipment	9,640	9,640	103,611
Investment securities	14,607	12,749	156,997
	¥ 54,719	¥ 54,327	$ 588,123

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

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Short-term borrowings	¥ 39,628	¥ 36,275	$ 425,924
Borrowings from securities finance companies	827	2,539	8,889
Long-term borrowings	3,111	5,029	33,437
	¥ 43,566	¥ 43,843	$ 468,250

In addition to above, at March 31, 2010, trading assets, etc. amounting to ¥69,686 million ($748,990 thousand) and investments securities amounting to ¥109 million ($1,172 thousand) are deposited as guarantee for settlement of trading accounts and securities borrowed, respectively. A t March 31, 2009, trading assets, etc. amounting to ¥36,824million and ¥101 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, 2010 and 2009, except for those disclosed in the above table, are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Securities loaned on margin transactions	¥ 15,746	¥ 12,761	$ 169,239
Securities pledged for borrowings on margin transactions	10,744	6,187	115,477
Securities loaned	32,705	37,858	351,515
Other	38,912	20,749	418,229
	¥ 98,107	¥ 77,555	$ 1,054,460

The fair value of the securities received as collateral at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Securities received on margin transactions	¥ 34,832	¥ 17,659	$ 374,377
Securities borrowed	141,402	131,183	1,519,798
Securities pledged as collateral	45,872	33,078	493,035
Other	10,544	11,820	113,327
	¥ 232,650	¥ 193,740	$ 2,500,537

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% in 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Deferred tax assets:			
Tax loss carryforwards	¥ 2,802	¥ 3,899	$ 30,116
Retirement and severance benefits (employees)	2,015	1,981	21,657
Accrued bonuses	612	527	6,578
Allowance for doubtful accounts	607	439	6,524
Retirement and severance benefits (directors and corporate auditors)	480	495	5,159
Impairment loss	396	399	4,256
Financial instruments transactions reserve	347	210	3,730
Accrued business tax	235	36	2,526
Depreciation and amortization	207	233	2,225
Loss on devaluation of investment securities	172	157	1,849
Unrealized loss on available-for-sale securities	12	117	129
Other	547	574	5,879
	8,432	9,067	90,628
Valuation allowance	(4,430)	(3,651)	(47,614)
Total	4,002	5,416	43,014
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,223)	(209)	(13,145)
Land revaluation excess	(1,879)	(1,879)	(20,196)
Other	(170)	(339)	(1,827)
Total	(3,272)	(2,427)	(35,168)
Net deferred tax assets (liabilities)	¥ 730	¥ 2,989	$ 7,846

Net deferred tax liabilities at March 31, 2010 and 2009 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen				Thousands of U.S.dollars	
	2010		2009		2010	
Current assets − Deferred income taxes	¥	968	¥	1,983	$	10,404
Investments and other assets − Deferred income taxes		2,064		2,992		22,184
Current liabilities − Other current liabilities		(1)		(38)		(11)
Non-current liabilities − Deferred income taxes		(2,301)		(1,948)		(24,731)
	¥	730	¥	2,989	$	7,846

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2010 is as follows:

	2010
Statutory tax rate	40.5%
Expenses not deductible for tax purposes	2.0
Income not credited for tax purposes	(0.3)
Per capita tax	1.1
Valuation allowance	10.6
Other	(0.9)
Effective tax rate	53.0%

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

13. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined benefit retirement and pension plans, which consist of a defined contribution retirement and pension plan (Securities Omnibus DC Okasan Plan), a corporate defined benefit pension plan and an unfunded retirement and severance plan that provide for lump-sum payment of benefits.

The funded status of retirement and pension plans at March 31, 2010 and 2009 consist of the followings:

	Millions of yen				Thousands of U.S.dollars	
	2010		2009		2010	
Projected benefit obligations	¥	(12,287)	¥	(12,201)	$	(132,061)
Fair value of plan assets		6,838		6,143		73,495
Unrecognized actuarial gain		477		1,167		5,127
Amount recognized in the consolidated balance sheets	¥	(4,972)	¥	(4,891)	$	(53,439)

The components of net periodic benefit cost for the years ended March 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Service cost	¥ 558	¥ 593	$ 5,997
Interest cost	236	237	2,537
Expected return on plan assets	(29)	(33)	(312)
Recognized actuarial loss	95	(238)	1,021
	860	559	9,243
Contributions to the defined contribution plan	182	185	1,956
	¥ 1,042	¥ 744	$ 11,199

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
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 ¥1,184 million ($12,726 thousand) and ¥1,222 million at March 31, 2010 and 2009, respectively.

14. FINANCIAL INSTRUMENTS TRANSACTIONS RESERVE

The Financial Instruments and Exchange Law of Japan requires a securities company to set aside a reserve in proportion to its securities and other related trading or derivative transactions to cover possible customer losses incurred by default of the securities company on securities or derivative transactions. Financial instruments transactions reserve, which was formerly stated as reserve for securities transactions calculated based on Article 51 of the Securities and Exchange Law and Article 35 of the Cabinet Office Ordinance Concerning Securities Companies, is calculated based on Article 46-5 of the of the Financial Instruments and Exchange Law and Article 175 of the Cabinet Office Ordinance Concerning Financial Instruments Business. As a result of the change, loss before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥778 million.

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, 2010 and 2009 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, 2009 which was approved by the General Meeting of Shareholders held on June 27, 2008 are as follows:

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

Dividends 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 ($11,071 thousand)
(b) Cash dividends per common share	¥5 ($0.05)
(c) Record date	March 31, 2009
(d) Effective date	June 29, 2009

Dividends to be paid after the balance sheet date but the record date for the payment belong to the year ended March 31, 2010 which was approved by the General Meeting of Shareholders held on June 29, 2010 are as follows:

(a) Total dividends	¥1,544 million ($16,595 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥7.5 ($0.08)
(d) Record date	March 31, 2010
(e) Effective date	June 30, 2010

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, 2010 decreased by ¥533 million ($5,729 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 357.8% and 397.5% at March 31, 2010 and 2009, respectively.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Commissions and brokerage	¥ 10,412	¥ 10,326	$ 111,909
Employees' compensation and benefits	28,544	27,713	306,793
Occupancy and rental	6,454	6,834	69,368
Data processing and office supplies	5,786	5,672	62,188
Depreciation and amortization	2,703	2,115	29,052
Taxes other than income taxes	593	594	6,374
Reserve for doubtful accounts	5	-	54
Other	2,130	2,299	22,893
	¥ 56,627	¥ 55,553	$ 608,631

19. PER SHARE INFORMATION

(a) Net Income (Loss) per Share

Basic net income (loss) per share, and reconciliation of the numbers and the amounts used in the basic net income (loss) per share computations for the years ended March 31, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	2010
Basic net income (loss) per share	¥ 13.63	¥ (9.20)	$ 0.15

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Net income (loss)	¥ 2,786	¥ (1,881)	$ 29,944
Net income (loss) not applicable to common shareholders	-	-	-
Net income (loss) applicable to common shareholders	¥ 2,786	¥ (1,881)	$ 29,944

	Number of shares (Thousand)	
	2010	2009
Weighted average number of shares outstanding on which basic net income (loss) per share is calculated	204,387	204,501

(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, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	2010
Net assets per share	¥ 471.25	¥ 455.70	$ 5.07

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total net assets	¥ 115,578	¥ 111,525	$ 1,2425,240
Amount deducted from total net assets:			
Minority interests	19,268	18,375	207,094
Net assets applicable to common stockholders	¥ 96,310	¥ 93,150	$ 1,035,146

	Number of shares (Thousand)	
	2010	2009
Number of shares outstanding at the end of year on which net assets per share is calculated	204,371	204,412

20. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation between "Cash on hand and in banks" in the accompanying consolidated balance sheets and "Cash and cash equivalents" in the accompanying consolidated statements of cash flows at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash on hand and in banks	¥ 41,440	¥ 40,651	$ 445,400
Time deposits that have maturities of over three months when acquired	(5,190)	(6,674)	(55,783)
Cash and cash equivalents	¥ 36,250	¥ 33,977	$ 389,617

21. COMMITMENTS AND CONTINGENCIES

At March 31, 2010 and 2009, the Company and certain subsidiaries have guaranteed approximately ¥155 million ($1,666 thousand) and ¥192 million of employee mortgage loans to financial institutions, respectively. If an employee defaults on his/her loan payments, the Company and/or certain subsidiaries are required to perform under the guarantee.

22. LEASES

(a) Finance Lease

Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized at March 31, 2010 and 2009 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					
	2010			2009		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 1,615	¥ 869	¥ 2,484	¥ 2,350	¥ 2,763	¥ 5,113
Accumulated depreciation	1,127	613	1,740	1,427	1,671	3,098
Impairment loss	1	-	1	1	-	1
Net carrying amount	¥ 487	¥ 256	¥ 743	¥ 922	¥ 1,092	¥ 2,014

	Thousands of U.S. dollars		
	2010		
	Furniture and Fixtures	Software	Total
Acquisition cost	$ 17,358	$ 9,340	$ 26,698
Accumulated depreciation	12,113	6,589	18,702
Impairment loss	11	-	11
Net carrying amount	$ 5,234	$ 2,751	$ 7,985

Future minimum payments required under finance leases at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Due within one year	¥ 437	¥ 924	$ 4,697
Due after one year	355	1,162	3,815
	¥ 792	¥ 2,086	$ 8,512

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Lease payments	¥ 709	¥ 1,166	$ 7,620
Reversal of accumulated impairment loss	1	5	11
Depreciation equivalents	637	1,041	6,847
Interest expense equivalents	40	88	430
Impairment loss	-	6	-

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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Within one year	¥ 4	¥ 4	$ 43
Over one year	-	5	-
	¥ 4	¥ 9	$ 43

23. FINANCIAL INSTRUMENTS

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and its "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 Guidance, March 10, 2008) were applied for the year ended March 31, 2010.

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. 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, 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			Thousands of U.S. dollars		
March 31, 2010	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
Assets:						
(1) Cash on hand and in banks	¥ 41,440	¥ 41,440	¥ -	$ 445,400	$ 445,400	$ -
(2) Cash segregated as deposits for customers and others	57,701	57,701	-	620,174	620,174	-
(3) Trading assets, short-term investments and investment securities						
Trading securities	142,865	142,865	-	1,535,522	1,535,522	-
Available-for-sale securities	16,330	16,330	-	175,516	175,516	-
(4) Receivables arising from unsettled trades	12,388	12,388	-	133,147	133,147	-
(5) Receivables on margin transactions	44,338	44,338	-	476,548	476,548	-
(6) Receivables on collateralized securities transactions	137,066	137,066	-	1,473,194	1,473,194	-
(7) Short-term guarantee deposits	3,760	3,760	-	40,413	40,413	-
(8) Short-term loans	119	119	-	1,279	1,279	-
Total	¥ 456,007	¥ 456,007	¥ -	$ 4,901,193	$ 4,901,193	$ -
Liabilities:						
(9) Trading liabilities						
Trading securities	¥ 100,421	¥ 100,421	¥ -	$ 1,079,331	$ 1,079,331	$ -
(10) Payables on margin transactions	25,384	25,384	-	272,829	272,829	-
(11) Payables on collateralized securities transactions	32,822	32,822	-	352,773	352,773	-
(12) Deposits received	22,871	22,871	-	245,819	245,819	-
(13) Guarantee deposits received	29,746	29,746	-	319,712	319,712	-
(14) Short-term borrowings	147,326	147,365	39	1,583,470	1,583,889	419
(15) Long-term borrowings	4,960	5,015	55	53,311	53,902	591
Total	¥ 363,530	¥ 363,624	¥ 94	$ 3,907,245	$ 3,908,255	$ 1,010
Derivative transactions	¥ (27)	¥ (27)	¥ -	$ (290)	$ (290)	$ -

＊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:

(1) Cash on hand and in banks, (2) Cash segregated as deposits for customers and others, (4) Receivables arising from unsettled trades, (5) Receivables on margin transactions, (6) Receivables on collateralized securities transactions, (7) Short-term guarantee deposits and (8) Short-term loans

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

(3) 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:

(9) 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.

(10) Payables on margin transactions, (11) Payables on collateralized securities transactions, (12) Deposits received, (13) Guarantee deposits received and (14) 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 (15) Long-term borrowings.)

(15) 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 24. DERIVATIVES.

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

	Millions of yen	Thousands of U.S.dollars
Unlisted equity securities	¥ 4,741	$ 50,957
Investments in limited partnership and similar partnership	241	2,590
Total	¥ 4,982	$ 53,547

③ Projected future redemption of monetary claim and securities with maturities

	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
(1) Cash on hand and in banks	¥ 41,440	¥ -	¥ -	¥ -
(2) Cash segregated as deposits for customers and others	57,701	-	-	-
(3) 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	-	-
(5) Receivables on margin transactions	44,338	-	-	-
(6) Receivables on collateralized securities transactions	137,066	-	-	-
(7) Short-term guarantee deposits	3,760	-	-	-
(8) Short-term loans	119	-	-	-
	¥ 285,024	¥ 285	¥ 300	¥ -

	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
(1) Cash on hand and in banks	$ 445,400	$ -	$ -	$ -
(2) Cash segregated as deposits for customers and others	620,174	-	-	-
(3) Trading assets, short-term investments and investment securities				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	-	-	3,224	-
Corporate bonds	3,224	-	-	-
Other	3,224	-	-	-
Other	-	3,063	-	-
(5) Receivables on margin transactions	476,548	-	-	-
(6) Receivables on collateralized securities transactions	1,473,194	-	-	-
(7) Short-term guarantee deposits	40,413	-	-	-
(8) Short-term loans	1,279	-	-	-
	$ 3,063,456	$ 3,063	$ 3,224	¥ -

④ The annual maturities of the long-term debt
Please see note 10. BORROWINGS.

24. 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, 2010 and 2009 are summarized as follows:

	Millions of yen		
At March 31, 2010	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:			
Written	¥ 300	¥ -	¥ -
Purchased	56	-	-
Stock index options:			
Written	18	5	13
Purchased	6	4	(2)
Bond futures:			
Written	3,316	(2)	(2)
Purchased	2,627	(1)	(1)
Interest futures:			
Purchased	39,847	(1)	(1)
Forward foreign exchange:			
Written:			
South Africa Rand	3,128	(100)	(100)
U.S. dollar	601	(2)	(2)
Other	793	(14)	(14)
Purchased:			
South Africa Rand	2,993	106	106
U.S. dollar	436	2	2
Other	251	3	3
At March 31, 2009			
Bond futures:			
Written	¥ 138	¥ 138	¥ -
Purchased	553	553	-
Forward foreign exchange:			
Written:			
U.S. dollar	335	336	(1)
Other	3,206	3,191	15
Purchased:			
U.S. dollar	90	90	-
Euro	5	5	-
Other	1,950	1,998	48

	Thousands of U.S. dollars		
At March 31, 2010	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:			
Written	$ 3,224	$ -	$ -
Purchased	602	-	-
Stock index options:			
Written	194	54	140
Purchased	64	43	(21)
Bond futures:			
Written	35,641	(21)	(21)
Purchased	28,235	(11)	(11)
Interest futures:			
Purchased	428,278	(11)	(11)
Forward foreign exchange:			
Written:			
South Africa Rand	33,620	(1,075)	(1,075)
U.S. dollar	6,460	(21)	(21)
Other	8,523	(150)	(150)
Purchased:			
South Africa Rand	32,169	1,139	1,139
U.S. dollar	4,686	21	21
Other	2,698	32	32

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, 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, 2010 and 2009 are summarized as follows:

	Millions of yen		
At March 31, 2010	Contract or notional amounts	Fair value	Valuation gain (loss)
Interest rate swaps:			
Variable rate received for fixed rate	¥ 458	¥ (5)	¥ (5)
Commodity futures:			
Written	63	(2)	(2)
Purchased	55	2	2
At March 31, 2009			
Interest rate swaps:			
Variable rate received for fixed rate	¥ 650	¥ (10)	¥ (10)
Commodity futures:			
Written	5	5	-
Purchased	4	5	1

	Thousands of U.S. dollars		
At March 31, 2010	Contract or notional amounts	Fair value	Valuation gain (loss)
Interest rate swaps:			
Variable rate received for fixed rate	$ 4,923	$ (54)	$ (54)
Commodity futures:			
Written	677	(21)	(21)
Purchased	591	21	21

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, 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, 2010 are summarized as follows:

			Millions of yen		Thousands of U.S. dollars	
Hedge accounting method	Nature of transaction	Hedged items	Contract or notional amounts	Fair value	Contract or notional amounts	Fair value
*1	Interest rate swaps: Variable rate received for fixed rate	Long-term borrowings	¥ 7,000	¥ *2	$ 75,236	$ *2

*1 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.

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

25. 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) were applied for the year ended March 31, 2010. The standards 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 ¥138 million ($1,483 thousand) for the year ended March 31, 2010.

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

Millions of yen			
Consolidated balance sheet amount			
Balance at beginning of the year	Increase/ (decrease)	Balance at end of the year	Fair value
¥ 6,008	¥ (36)	¥ 5,972	¥ 5,783

Thousands of U.S. dollars			
Consolidated balance sheet amount			
Balance at beginning of the year	Increase/ (decrease)	Balance at end of the year	Fair value
$ 64,574	$ (387)	$ 64,187	$ 62,156

Fair value is based on real-estate appraisals, and is estimated by the Company.

26. 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, 2010 and 2009.
Transactions between the consolidated subsidiary of the Company and Santo Co., Ltd. for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Transactions:			
Loan of securities	¥ 581	¥ 562	$ 6,245

Transactions between the Company and Santo Co., Ltd. for the year ended March 31, 2009 were summarized as follows:

	Millions of yen
Transactions:	
Purchase of associated company's stock	322

27. SEGMENT INFORMATION

(a) Industry segment information

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

(b) Geographic segment information

Both domestic sales and assets located in Japan are over 90% of those for all segments for the years ended March 31, 2010 and 2009.

(c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries, are less than 10% of consolidated sales for the years ended March 31, 2010 and 2009.

28. SUBSEQUENT EVENTS

The Company filed an action for avoidance of reassessment of income taxes and imposition of additional taxes for software sales transaction etc. in 2005 and the court of first instance dismissed the action on February 5, 2009. The Company has appealed to the Intellectual Property High Court, and obtained the judgment from the High Court by which was admitted the demand of the Company on May 25, 2010. A final appeal or a petition for acceptance of final appeal is not filed against the judgment by the counterparty, the judgment became final and binding.

Income tax of ¥936 million ($10,060 thousand), local taxes and additional taxes etc. are to be refunded.

Crowe Horwath

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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, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okasan Securities Group Inc. and its consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As more fully described in Note 28 to the consolidated financial statements, the judgment of the action for avoidance of reassessment of income taxes for software sales transaction etc. became final and binding.

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 3 to the consolidated financial statements.

Toyo Horwath

June 30, 2010
Tokyo, Japan
Toyo Horwath

REFERENCE DATA

Balance Sheets

Okasan Securities Co., Ltd. At March 31, 2010 and 2009

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 8,504	¥ 6,557	$ 91,402
Cash segregated as deposits for customers and others	22,863	11,363	245,733
Trading assets	142,517	115,092	1,531,782
Receivables arising from unsettled trades	11,898	9,706	127,881
Receivables on margin transactions	39,821	19,423	427,999
Receivables on collateralized securities transactions	137,066	131,796	1,473,194
Short-term guarantee deposits	2,471	2,639	26,558
Deferred income taxes	626	1,729	6,728
Other current assets	2,667	3,331	28,665
Allowance for doubtful accounts	(37)	(20)	(398)
Total current assets	368,396	301,616	3,959,544
Property and equipment, net of accumulated depreciation	1,756	1,587	18,874
Intangible assets, net	385	204	4,138
Investments and other assets:			
Investment securities	996	879	10,705
Long-term guarantee deposits	3,124	3,184	33,577
Deferred income taxes	1,836	1,937	19,733
Other	1,687	1,776	18,132
Allowance for doubtful accounts	(1,237)	(1,260)	(13,295)
Total investments and other assets	6,406	6,516	68,852
TOTAL	¥ 376,943	¥ 309,923	$ 4,051,408

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities	¥ 100,337	¥ 105,020	$ 1,078,429
Payables on margin transactions	24,253	9,455	260,673
Payables on collateralized securities transactions	32,822	37,638	352,773
Deposits received	16,664	9,581	179,106
Guarantee deposits received	12,546	6,311	134,845
Short-term borrowings	123,665	73,265	1,329,159
Income tax payables	358	-	3,848
Other current liabilities	4,361	3,095	46,872
Total current liabilities	315,006	244,365	3,385,705
Non-current liabilities:			
Long-term borrowings	1,850	7,350	19,884
Retirement and severance benefits	4,555	4,456	48,958
Other non-current liabilities	733	459	7,878
Total non-current liabilities	7,138	12,265	76,720
Financial instruments transactions reserve	580	417	6,234
Total liabilities	322,724	257,047	3,468,659
Net assets			
Shareholder's equity:			
Common stock			
Authorized － 240,000 shares			
Issued － 100,000 shares in 2010 and 2009	5,000	5,000	53,740
Capital surplus	29,200	29,200	313,843
Retained earnings	19,971	18,645	214,650
Total shareholder's equity	54,171	52,845	582,233
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities	48	31	516
Total net assets	54,219	52,876	582,749
TOTAL	¥ 376,943	¥ 309,923	$ 4,051,408

Statements of Operations

Okasan Securities Co., Ltd. Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S.dollars
	2010	2009	2010
Operating revenues:			
Commissions	¥ 33,888	¥ 26,380	$ 364,230
Net gain on trading	15,998	16,029	171,948
Interest and dividend income	1,977	2,126	21,249
	51,863	44,535	557,427
Interest expense	1,486	1,866	15,972
Net operating revenues	50,377	42,669	541,455
Selling, general and administrative expenses	45,994	45,563	494,346
Operating income (loss)	4,383	(2,894)	47,109
Other income (expenses):			
Provision for financial instruments transactions reserve	(163)	-	(1,752)
Gain on sale of investment in securities	-	96	-
Gain on exchange from business combination	-	148	-
Reversal of contribution to securities market infrastructure improvement fund	-	97	-
Reversal of financial instruments transactions reserve	-	699	-
Other, net	153	288	1,644
	(10)	1,328	(108)
Income (loss) before income taxes	4,373	(1,566)	47,001
Income taxes:			
Current	854	4	9,179
Deferred	1,193	(50)	12,822
	2,047	(46)	22,001
Net income (loss)	¥ 2,326	¥ (1,520)	$ 25,000

CORPORATE DATA

(At April 1, 2010)

Company Name
OKASAN SECURITIES GROUP INC.

Date of Establishment
August 25, 1944

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

Phone Number
+81-3-3272-2222

Paid-in Capital
18,590 Million Yen

Subsidiaries and Affiliates
10 companies

BOARD OF DIRECTORS

(At June 29, 2010)

Chairman
Seiichi Kato

President
Tetsuo Kato

Senior Managing Director
Hiroyuki Shinshiba
Kazuhiko Nonaka

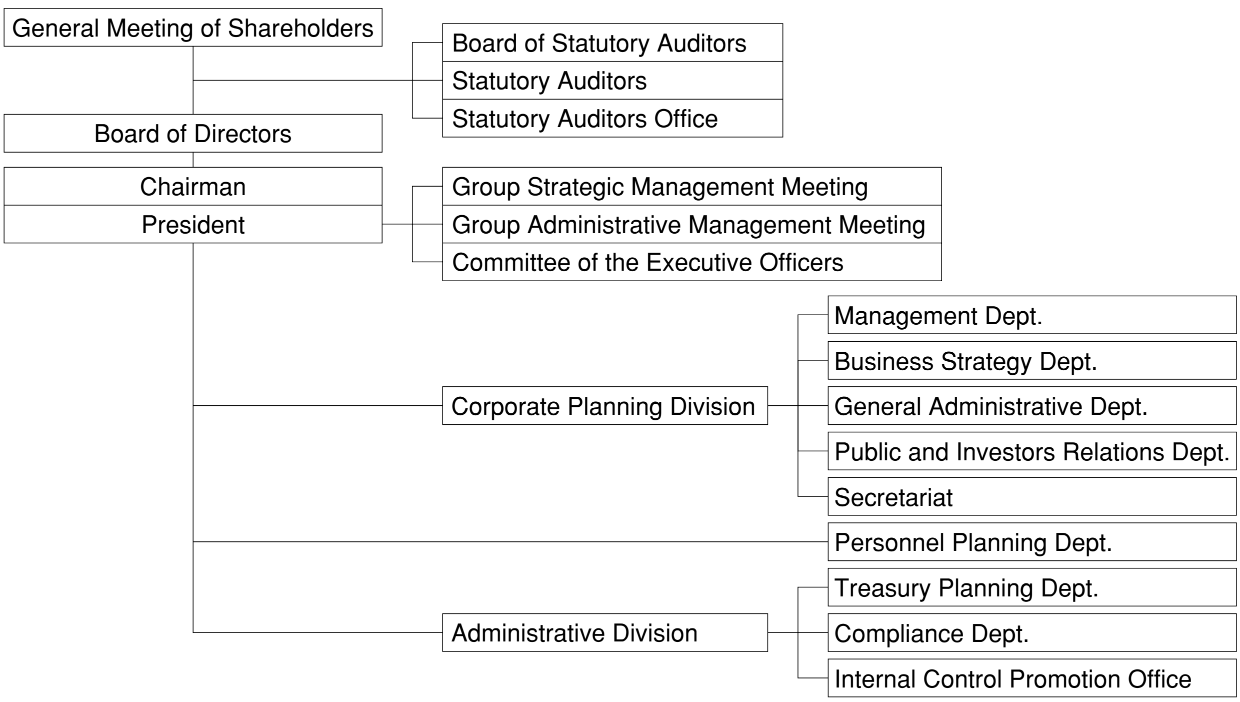
Managing Director
Hiroyuki Shindo

Director
Kenichi Tanaka
Masanori Kanai
Kenjiro Takemiya

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

ORGANIZATION CHART

(At April 1, 2010)



OKASAN SECURITIES GROUP INC.

http://www.okasan.jp/