

ANNUAL REPORT

Ending March 31, 2012

Corporate Profile

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

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

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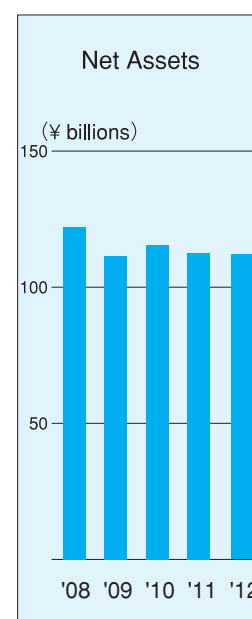
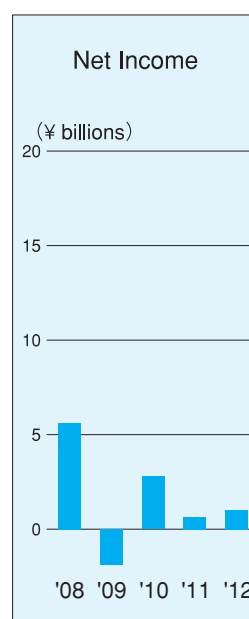
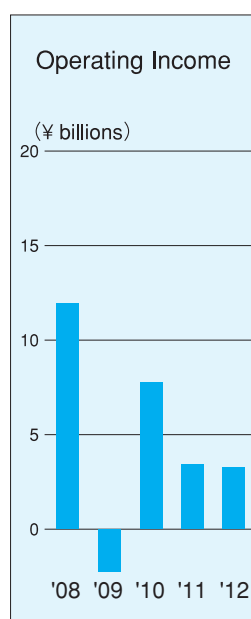
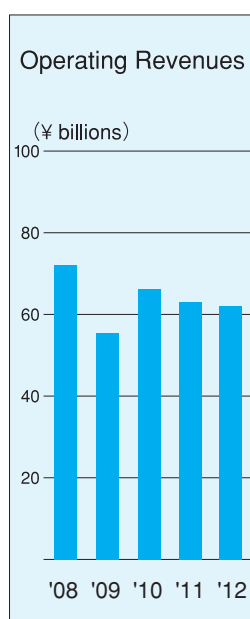
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Consolidated Financial Highlights

Okasan Securities Group Inc. and consolidated Subsidiaries Year ended March 31, 2012

	Millions of yen		Thousands of U.S.dollars (note)
	2012 (4/1/11 ~ 3/31/12)	2011 (4/1/10 ~ 3/31/11)	2012 (4/1/11 ~ 3/31/12)
Operating revenues	¥ 61,065	¥ 62,964	\$ 742,974
Operating income	3,152	3,409	38,350
Net income	984	640	11,972
Total assets	556,389	542,537	6,769,546
Net assets	112,016	112,623	1,362,891
Per share of common stock	Yen		U.S.dollars (note)
Basic net income	¥ 4.93	¥ 3.15	\$ 0.06
Cash dividends applicable to the year	5.00	5.00	0.06

Note: The translation of the yen amounts into U.S.dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 30, 2012, which was ¥82.19 to U.S. \$1.



Management Policy

Okasan Securities Group Inc. and Consolidated Subsidiaries

1. Basic management policy for the Company

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

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

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

3. Important management index

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

4. Medium and long-term management strategy

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

In FY2011, the second year of the medium-term business plan, Okasan Securities Co., Ltd. pushed forward with its program to build a product and information provision infrastructure based on a "global perspective," broadening its product lineup in foreign equities, investment trusts and so forth, as well as strengthening the overseas research capabilities of the Investment Strategy & Research Division and starting publication of a new series of research reports. Okasan Online Securities Co., Ltd. worked to upgrade the quality of customer service, by developing Japanese equity trading tools for smart phones and foreign currency margin trading tools. It also started services for corporate clients, aiming to broaden the customer base. In IT infrastructure, the Company also focused on the continuing development of ODIN (Okasan Database Information Node).

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 <ul style="list-style-type: none">· Provide for best products, information and services· Establish a business model of community-based securities-business style
For our employees	To be a leading company with regard to employees' sense of job satisfaction
For our shareholders	To enhance the corporate value of the Group, which was built around retail securities

-3. Management goals on a consolidated basis

ROE: 10% as a long-term target

Net assets: 130 billion yen at the end of the plan period

5. Challenges the Company should address

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

Our medium-term business plan from FY2010 to FY2012 (April 1, 2010 through March 31, 2013) was formulated in response to this business environment, and the Company is implementing the plan in an effort to increase enterprise value. The corporate group continues honing its competitive edge, which is our ability to flexibly provide products and information services best suited to meet the needs of each client from a global perspective, while implementing a marketing structure that tailors brokerage services to match local-area characteristics, in order to be a highly trusted investment advisor that is the best partner for our customers. The group continues its efforts to build good relationships with shareholders, implement sound management, and further develop its operations as it approaches its 90th anniversary in April 2013.

6. Outline of corporate governance structure

(1) Basic concepts regarding corporate governance

As globalization progresses and a shift in management towards creation of enterprise value accelerates, the importance of corporate governance is increasing. In response to this environmental change, we are committed to high standards of corporate governance as we regard it as one of our management responsibilities. As we face the challenges of a rapidly changing business landscape, we have undertaken to deliver such solutions so as to speed up the decision-making process and to enhance efficiency of the managerial and supervisory systems.

(2) Structure of business execution

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

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

(3) Management monitoring structure

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

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

(4) Internal auditing structure

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

Operating and Financial Review

Okasan Securities Group Inc. and Consolidated Subsidiaries Year ended March 31, 2012

I. Analysis of operating results

In the Japanese economy, activities such as industrial production declined markedly early in the fiscal year, due to supply chain (component supply) problems and power shortages resulting from the Great East Japan Earthquake. However, production and consumer confidence subsequently recovered more rapidly than expected, with acceleration in reconstruction demand becoming particularly evident from autumn. As a result, the downturn in business confidence was limited even when the yen appreciated rapidly. Significant increase in crude oil prices, however, caused the trade balance to deteriorate.

In the foreign exchange market, the yen's climb against major currencies accelerated from July, due to the sovereign debt crisis in Europe and the US treasury downgrading, with the yen at one point reaching an all-time high against the dollar of around ¥75 in October. However, the overvaluation of the yen was rapidly corrected thereafter, as foreign exchange market concern was allayed by fund supply operations implemented by the European Central Bank in late December and progress was made in talks to solve Greece's debt problems at the beginning of 2012. Furthermore, a series of stronger than expected US economic indicators were released, and the Bank of Japan demonstrated its strong resolve to ensure that monetary policy was accommodative.

The equity market was concerned about stagnant production activity, because of the severing of the supply chain, but remained roughly flat early in the fiscal year. However, risk-off mode was more evident in global equity markets from August, because of the worsening European debt crisis, and the Nikkei 225 dropped to its lowest level for the fiscal year, of 8,160.01, in November. The yen's appreciation was subsequently halted by two fund supply operations by the European Central Bank and additional monetary easing by the Bank of Japan, and the Japanese equity market entered a rebound. The Nikkei 225 ended the fiscal year at 10,083.56, marking a rise of 3.4% over the year.

In the fixed income market, yields declined overall because demand remained firm for low risk assets, given the slowdown in the Japanese economy resulting from the Great East Japan Earthquake, disruption to global financial markets due to concern over a possible debt default by Greece, and a downturn in the US economy. The yield on new 10-year Japanese government bonds fell mostly to less than 1% in the second half of the fiscal year, as central banks in developed economies eased monetary policy further and the Bank of Japan did also. In March, the yield climbed back above 1% temporarily, but then declined again to end the fiscal year at 0.985%, thanks to favorable supply-demand.

In this environment, Okasan Securities Co., Ltd., the core company in Okasan Securities Group Inc. (the Group, hereinafter), broadened the product lineup by expanding the range of foreign equity markets it deals in, and implemented efforts to make customers' assets under custody grow through offerings of products such as investment trust funds and foreign bonds, under the theme of "upgrading product and research globally, including Japan." The company also strengthened the overseas research capabilities of the investment strategy divisions. The internet broker Okasan Online Securities Co., Ltd. introduced a large number of new trading tools, mainly for smart phones, for Japanese stocks and FX (margin trading in foreign currencies), while also starting a service for corporate clients, thereby focusing on expansion in the customer base. In a rapidly changing investment environment, Okasan Asset Management Co., Ltd. responded quickly to provide product solutions while also providing investors with timely information, and also upgraded its asset management platform by making its organizational structure more efficient.

As a result of the above mentioned environment, operating revenues and net operating revenues of the Group Inc.(consolidated) decreased 3.0% each from a year ago, to ¥61,065 million and ¥59,467 million respectively for the fiscal year. As selling, general and administrative expenses decreased by 2.7% from a year ago, to ¥56,315 million, ordinary income for the fiscal year decreased 12.9% from a year ago, to ¥3,890 million. However, net income for the fiscal year increased 53.7% from a year ago, to ¥984 million.

1. Fees and commissions received

Total fees and commissions received declined 1.0% from the previous fiscal year to ¥39,947 million. The breakdown into major categories was as follows.

(1) Brokerage commissions

In the fiscal year, average daily turnover on the Tokyo Stock Exchange (Japanese common stocks) was 2,112 million shares, down 6.7%, and ¥1,304.9 billion, down 16.0%. The decline in Japanese equity market trading volumes meant that our stock brokerage commissions decreased 18.1% from the previous year to ¥8,798 million. Bond brokerage commissions were down 3.3% to ¥18 million. Other brokerage commissions fell 14.0% to ¥1,064 million, so total brokerage commissions were 17.7% lower at ¥9,881 million.

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

There were no major deals in the fiscal year involving IPOs or POs for listed companies, so underwriting fees and commissions declined, with those for equities down 83.0% from the previous year to ¥55 million. The company acted as lead manager for issues of government guaranteed bonds and municipal bonds, but decline in issuance of bonds by electric power companies and the debt crisis in Europe caused bond underwriting fees to fall 17.8% to ¥66 million. As a result, total underwriting fees, selling concessions, and commissions on solicitation for sales of financial instruments to specific investors declined 70.0% to ¥121 million.

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

Investment trust funds are the revenue drivers of this category.

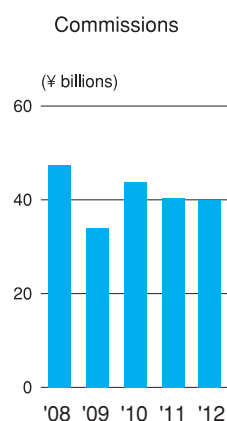
In the fiscal year, the company made an effort to build up assets under custody and focused on marketing existing funds in Asia and Oceania equities, bonds and high-yielding emerging market equities, as well as introducing new funds investing in undervalued Japanese equities and Asian growth stocks in order to expand the product lineup.

As a result, administrative charges on offering, selling and solicitation for sale of financial instrument to specified investors grew 12.3% from the previous year to ¥18,110 million. Other fees and commissions received were flat at ¥11,835 million, thanks to administrative charges for investment trusts and sales commission for insurance policies such as variable annuities.

Fees and Commissions received

Breakdown by category

(Millions of yen except percentage)



	2012<A> (4/1/11 ~ 3/31/12)	2011 (4/1/10 ~ 3/31/11)	Ratio <A>/
Commissions			
Brokerage commissions	¥ 9,881	¥ 12,005	82.3
Equities	8,798	10,748	81.9
Bonds	18	19	96.7
Others	1,065	1,238	86.0
Underwriting fees and selling concessions	121	404	30.0
Equities	55	324	17.0
Bonds	66	80	82.2
Placement commissions	18,110	16,131	112.3
Other commissions	11,835	11,831	100.0
Total	¥ 39,947	¥ 40,370	99.0

Breakdown by Product

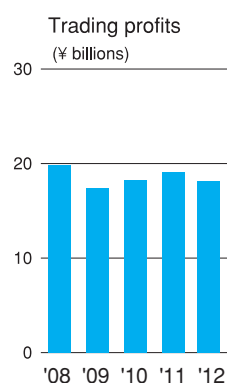
(Millions of yen except percentage)

	2012<A> (4/1/11 ~ 3/31/12)	2011 (4/1/10 ~ 3/31/11)	Ratio <A>/
Equities	¥ 9,148	¥ 11,346	80.6
Bonds	203	201	100.8
Investment trusts	29,041	27,051	107.4
Others	1,555	1,772	87.7
Total	¥ 39,947	¥ 40,370	99.0

2. Trading profits

While computer-related stocks performed strongly thanks quantitative easing that started the previous year in the US, credit instability resulting from the European debt crisis caused weakness in Asian markets, so foreign equity volumes declined, and profits on equity trading fell 27.7% to ¥6,971 million.

In contrast, bond trading profits rose 18.4% from the previous fiscal year to ¥11,058 million, thanks to the marketing of high yielding foreign currency bonds that were well suited to customers' requirements. Total trading profits, including ¥44 million of other trading profits (down 60.3%), declined 5.4% to ¥18,073 million.



Trading profit/loss

(Millions of yen except percentage)

	2012<A> (4/1/11 ~ 3/31/12)	2011 (4/1/10 ~ 3/31/11)	Ratio <A>/
Equities, etc.	¥ 6,971	¥ 9,645	72.3
Bonds, etc.	11,058	9,342	118.4
Others	44	112	39.7
Total	¥ 18,073	¥ 19,100	94.6

3. Net financial income

Financial income declined 12.8% to ¥1,988 million, while financial expenses fell modestly 5.4% to ¥1,598 million, so net financial income was down 34.1% to ¥390 million.

4. Other operating income

Operating income from operations other than the financial instrument exchange business or incidental business declined 12.9% from the previous fiscal year to ¥1,058 million.

5. Selling, general and administrative expenses

Administrative expenses and depreciation rose, but selling, general and administrative expenses fell 2.7%, to ¥56,315 million, overall due to decline in personnel, trading related expenses and the like.

6. Other income (expenses)

Other income was ¥791 million, an improvement from the ¥1,148 million expenses of the previous fiscal year, mainly because of the absence of provisioning against doubtful accounts for the purpose of accommodating a fund shortfall related to failed settlements against customers resulting from the plunge in the equity market triggered by the Great East Japan Earthquake.

7. Dividends

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

For fiscal 2012 we proposed a ¥5.0 dividend per share to shareholders, according to the dividend policy mentioned above.

II. Analysis of financial position

1. Assets, liabilities and net assets

Total assets at the end of the fiscal year were ¥13,851 million higher year on year, at ¥556,389 million. This was mainly because receivables on collateralized securities transactions increased by ¥18,565 million and trading assets rose ¥3,155 million, while cash segregated as deposits fell ¥5,303 million and margin trading assets declined ¥2,713 million.

Total liabilities increased ¥14,458 million to ¥444,373 million. This was mainly due to increases of ¥32,342 million in payables on collateralized securities transactions and ¥27,837 million in trading liabilities, which were offset by decreases of ¥24,418 million in payables arising from unsettled trades, ¥10,115 million in short-term borrowing, ¥4,391 million in guarantee deposits received and ¥3,250 million in payables on margin transactions. Net assets decreased ¥607 million to ¥112,016 million. This was mainly because of a ¥732 million decline due to share buybacks.

2. Cash flows

Cash and cash equivalents (hereinafter "cash") increased by ¥2,682 million to ¥41,022 million at the end of the fiscal year. Change in each cash flow item was as follows.

<Cash flows from operating activities>

Cash inflows from operating activities were ¥18,243 million. This was mainly due to net change of ¥13,777 million in payables and receivables on collateralized securities transactions, and a decline of ¥5.2 billion in cash segregated as deposits for customers.

<Cash flows from investing activities>

Cash used for investing activities was ¥1,403 million. This was mainly due to the acquisition of ¥960 million intangible fixed assets and ¥474 million tangible fixed assets.

<Cash flows from financing activities>

Cash used for financing activities was ¥14,132 million. This was mainly due to a decrease in short-term borrowing of ¥9,741 million and the repayment of ¥2,307 million long-term borrowings.

Okasan Securities Group Inc. and Consolidated Subsidiaries
Consolidated Balance Sheet — March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 3)
	2012	2011	2012
ASSETS			
Current assets:			
Cash on hand and in banks (notes 10 and 21)	¥ 45,898	¥ 43,340	\$ 558,438
Cash segregated as deposits for customers and others	42,750	48,053	520,136
Trading assets (notes 4 and 10)	185,668	182,513	2,259,010
Receivables on margin transactions (note 5)	33,533	36,247	407,994
Receivables on collateralized securities transactions (note 6)	186,087	167,522	2,264,107
Short-term investments (note 7)	3,566	3,298	43,387
Deferred income taxes (note 11)	854	848	10,391
Other current assets	6,951	7,576	84,572
Allowance for doubtful accounts	(3)	(7)	(37)
Total current assets	505,304	489,390	6,147,998
Property and equipment, net of accumulated depreciation of ¥11,115 million (\$135,235 thousand) in 2012 and ¥10,849 million in 2011 (note 10)	16,305	16,438	198,382
Intangible assets, net	8,400	9,386	102,202
Investments and other assets:			
Investment securities (notes 7, 8 and 10)	18,908	19,463	230,052
Long-term guarantee deposits	3,543	3,540	43,107
Deferred income taxes (note 11)	2,345	2,471	28,532
Other	4,348	5,267	52,902
Allowance for doubtful accounts	(2,764)	(3,418)	(33,629)
Total investments and other assets	26,380	27,323	320,964
TOTAL	¥ 556,389	¥ 542,537	\$ 6,769,546

See accompanying notes to consolidated financial statements.

Okasan Securities Group Inc. and Consolidated Subsidiaries
Consolidated Balance Sheet — (Continued) — March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 3)
	2012	2011	2012
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities (note 4)	¥ 152,268	¥ 124,430	\$ 1,852,634
Payables arising from unsettled trades	4,058	28,476	49,373
Payables on margin transactions (notes 5 and 10)	16,172	19,423	196,764
Payables on collateralized securities transactions (note 6)	61,367	29,024	746,648
Deposits received	18,338	20,187	223,117
Guarantee deposits received	22,996	27,388	279,791
Short-term borrowings (notes 9 and 10)	136,168	146,283	1,656,747
Income tax payables (note 11)	961	1,117	11,692
Other current liabilities (notes 9 and 11)	5,454	5,279	66,358
Total current liabilities	417,782	401,607	5,083,124
Non-current liabilities:			
Long-term borrowings (notes 9 and 10)	13,478	15,343	163,986
Lease liabilities (note 9)	696	705	8,468
Deferred income taxes (note 11)	1,651	1,880	20,088
Retirement and severance benefits (note 12)	6,515	6,262	79,268
Other non-current liabilities	2,860	2,906	34,797
Total non-current liabilities	25,200	27,096	306,607
Financial instruments transactions reserve (note 14)	1,391	1,211	16,924
Total liabilities	444,373	429,914	5,406,655
Net assets			
Shareholders' equity (note 15):			
Common stock			
Authorized – 750,000,000 shares in 2012 and 2011			
Issued – 208,214,969 shares in 2012 and 2011	18,590	18,590	226,183
Capital surplus	12,911	12,911	157,087
Retained earnings	64,490	64,496	784,645
Treasury stock, at cost, 9,936,084 shares in 2012 and 7,095,507 shares in 2011	(3,582)	(2,850)	(43,581)
Total shareholders' equity	92,409	93,147	1,124,334
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (note 7)	564	586	6,862
Surplus on land revaluation (note 16)	327	270	3,979
Foreign currency translation adjustments	(840)	(811)	(10,220)
Total accumulated other comprehensive income	51	45	621
Minority interests	19,556	19,431	237,936
Total net assets	112,016	112,623	1,362,891
Commitments and contingencies (note 22)			
TOTAL	¥ 556,389	¥ 542,537	\$ 6,769,546

See accompanying notes to consolidated financial statements.

Okasan Securities Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Income — Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 3)
	2012	2011	2012
Operating revenues:			
Commissions	¥ 39,947	¥ 40,370	\$ 486,032
Net gain on trading	18,073	19,100	219,893
Interest and dividend income	1,988	2,280	24,188
Service fee and other revenues	1,057	1,214	12,861
	<u>61,065</u>	<u>62,964</u>	<u>742,974</u>
Interest expense	<u>1,598</u>	<u>1,688</u>	<u>19,443</u>
Net operating revenues	<u>59,467</u>	<u>61,276</u>	<u>723,531</u>
Selling, general and administrative expenses (note18)	<u>56,315</u>	<u>57,867</u>	<u>685,181</u>
Operating income	<u>3,152</u>	<u>3,409</u>	<u>38,350</u>
Other income (expenses):			
Dividend income	509	443	6,193
Gain on sale of investment securities	208	453	2,531
Negative goodwill	279	166	3,395
Interest expense	(96)	(119)	(1,168)
Loss on devaluation of investment securities	(120)	(400)	(1,460)
Provision for financial instruments transactions reserve	(179)	(356)	(2,178)
Cumulative effect on prior years of adoption of new accounting standard for asset retirement obligations (note 13)	-	(343)	-
Provision for doubtful accounts	-	(1,702)	-
Other, net	189	710	2,299
	<u>790</u>	<u>(1,148)</u>	<u>9,612</u>
Income before income taxes and minority interests	<u>3,942</u>	<u>2,261</u>	<u>47,962</u>
Income taxes (note 11):			
Current	2,165	2,571	26,341
Refund of income taxes	-	(1,585)	-
Deferred	209	35	2,543
	<u>2,374</u>	<u>1,021</u>	<u>28,884</u>
Income before minority interests	<u>1,568</u>	<u>1,240</u>	<u>19,078</u>
Minority interests	<u>584</u>	<u>600</u>	<u>7,106</u>
Net income	<u>¥ 984</u>	<u>¥ 640</u>	<u>\$ 11,972</u>

See accompanying notes to consolidated financial statements.

Okasan Securities Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income (Loss) — Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 3)
	2012	2011	2012
Income before minority interests	¥ 1,568	¥ 1,240	\$ 19,078
Other comprehensive income (loss) (note 19):			
Unrealized gain (loss) on available-for-sale securities	4	(1,038)	49
Surplus on land revaluation	229	-	2,786
Foreign currency translation adjustments	(30)	(334)	(365)
Total other comprehensive income (loss)	<u>203</u>	<u>(1,372)</u>	<u>2,470</u>
Comprehensive income (loss)	<u>¥ 1,771</u>	<u>¥ (132)</u>	<u>\$ 21,548</u>
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 990	¥ (663)	\$ 12,045
Minority interests	781	531	9,503

See accompanying notes to consolidated financial statements.

Okasan Securities Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Changes in Net Assets — Year ended March 31, 2012

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balances at March 31, 2010	¥ 18,590	¥ 12,919	¥ 65,363	¥ (1,877)	¥ 94,995
Changes arising during the year:					
Decrease of capital surplus resulting from changes in interest in consolidated subsidiaries		(8)			(8)
Cash dividends			(1,507)		(1,507)
Net income			640		640
Purchase of treasury stock				(953)	(953)
Increase of treasury stock resulting from changes in interest in consolidated subsidiaries				(20)	(20)
Net changes other than shareholders' equity					
Total changes during the year	-	(8)	(867)	(973)	(1,848)
Balances at March 31, 2011	18,590	12,911	64,496	(2,850)	93,147
Changes arising during the year:					
Increase of capital surplus resulting from changes in interest in consolidated subsidiaries		1			1
Cash dividends			(989)		(989)
Net income			984		984
Purchase of treasury stock				(707)	(707)
Disposition of treasury stock		(1)	(1)	4	2
Increase of treasury stock resulting from changes in interest in consolidated subsidiaries				(29)	(29)
Net changes other than shareholders' equity					
Total changes during the year	-	(0)	(6)	(732)	(738)
Balances at March 31, 2012	¥ 18,590	¥ 12,911	¥ 64,490	¥ (3,582)	¥ 92,409

	Millions of yen						
	Accumulated other comprehensive income (loss)				Minority interests	Total net assets	
	Unrealized gain on available-for-sale securities	Surplus on land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)			
Balances at March 31, 2010	¥ 1,556	¥ 235	¥ (476)	¥ 1,315	¥ 19,268	¥ 115,578	
Changes arising during the year:							
Decrease of capital surplus resulting from changes in interest in consolidated subsidiaries						(8)	
Cash dividends						(1,507)	
Net income						640	
Purchase of treasury stock						(953)	
Increase of treasury stock resulting from changes in interest in consolidated subsidiaries						(20)	
Net changes other than shareholders' equity	(970)	35	(335)	(1,270)	163	(1,107)	
Total changes during the year	(970)	35	(335)	(1,270)	163	(2,955)	
Balances at March 31, 2011	586	270	(811)	45	19,431	112,623	
Changes arising during the year:							
Increase of capital surplus resulting from changes in interest in consolidated subsidiaries						1	
Cash dividends						(989)	
Net income						984	
Purchase of treasury stock						(707)	
Disposition of treasury stock						2	
Increase of treasury stock resulting from changes in interest in consolidated subsidiaries						(29)	
Net changes other than shareholders' equity	(22)	57	(29)	6	125	131	
Total changes during the year	(22)	57	(29)	6	125	(607)	
Balances at March 31, 2012	¥ 564	¥ 327	¥ (840)	¥ 51	¥ 19,556	¥ 112,016	

	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, 2011	\$ 226,183	\$ 157,087	\$ 784,718	\$ (34,675)	\$ 1,133,313
Changes arising during the year:					
Increase of capital surplus resulting from changes in interest in consolidated subsidiaries		12			12
Cash dividends			(12,033)		(12,033)
Net income			11,972		11,972
Purchase of treasury stock				(8,602)	(8,602)
Disposition of treasury stock		(12)	(12)	49	25
Increase of treasury stock resulting from changes in interest in consolidated subsidiaries				(353)	(353)
Net changes other than shareholders' equity					
Total changes during the year	-	(0)	(73)	(8,906)	(8,979)
Balances at March 31, 2012	\$ 226,183	\$ 157,087	\$ 784,645	\$ (43,581)	\$ 1,124,334

	Thousands of U.S. dollars (note 3)					
	Accumulated other comprehensive income (loss)					
	Unrealized gain on available-for- sale securities	Surplus on land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balances at March 31, 2011	\$ 7,130	\$ 3,285	\$ (9,867)	\$ 548	\$ 236,416	\$ 1,370,277
Changes arising during the year:						
Increase of capital surplus resulting from changes in interest in consolidated subsidiaries						12
Cash dividends						(12,033)
Net income						11,972
Purchase of treasury stock						(8,602)
Disposition of treasury stock						25
Increase of treasury stock resulting from changes in interest in consolidated subsidiaries						(353)
Net changes other than shareholders' equity	(268)	694	(353)	73	1,520	1,593
Total changes during the year	(268)	694	(353)	73	1,520	(7,386)
Balances at March 31, 2012	\$ 6,862	\$ 3,979	\$ (10,220)	\$ 621	\$ 237,936	\$ 1,362,891

See accompanying notes to consolidated financial statements.

Okasan Securities Group Inc. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows — Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 3)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,942	¥ 2,261	\$ 47,962
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	3,939	3,828	47,926
Cumulative effect on prior years of adoption of new accounting standard for asset retirement obligations	-	343	-
Interest and dividend income	(2,503)	(2,735)	(30,454)
Interest expense	1,694	1,808	20,611
Gain on sale of investment securities	(174)	(450)	(2,117)
Loss on devaluation of investment securities	120	400	1,460
Negative goodwill incurred	(279)	(166)	(3,395)
Decrease (increase) in deposits segregated for customer	5,200	9,700	63,268
Decrease (increase) in trading assets and increase (decrease) in trading liabilities	264	25,203	3,212
Decrease (increase) in receivables on margin transactions and increase (decrease) in payables on margin transactions	(538)	2,129	(6,546)
Decrease (increase) in receivables on collateralized securities transactions and increase (decrease) in payables on collateralized securities transactions	13,777	(34,253)	167,624
Increase (decrease) in deposits received	(1,830)	(2,479)	(22,265)
Decrease (increase) in short-term guarantee deposits	(52)	337	(633)
Increase (decrease) in guarantee deposits received	(4,391)	(2,359)	(53,425)
Increase (decrease) in allowance for doubtful accounts	(657)	1,524	(7,994)
Increase (decrease) in retirement and severance benefits	254	105	3,090
Increase (decrease) in financial instruments transactions reserve	179	356	2,178
Other, net	823	(2,686)	10,013
Sub-total	19,768	2,866	240,515
Interest and dividend received	2,404	2,782	29,249
Interest paid	(1,680)	(1,812)	(20,440)
Income taxes paid	(2,249)	(2,380)	(27,363)
Net cash provided by operating activities	18,243	1,456	221,961
Cash flows from investing activities:			
Payment for short-term investments	(3,896)	(4,498)	(47,402)
Proceeds from sale of short-term investments	3,900	1,200	47,451
Payment for purchase of property and equipment	(474)	(896)	(5,767)
Payment for intangible assets	(960)	(1,489)	(11,680)
Payment for investment securities	(617)	(1,039)	(7,507)
Proceeds from sale of investment securities	904	1,245	10,999
Payment for investments in affiliates	(368)	(144)	(4,478)
Other, net	108	(23)	1,314
Net cash used in investing activities	(1,403)	(5,644)	(17,070)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(9,741)	6,155	(118,518)
Proceeds from long-term borrowings	70	9,200	852
Payments on long-term borrowings	(2,307)	(5,998)	(28,069)
Purchase of treasury stock	(707)	(953)	(8,602)
Dividends paid to shareholders	(989)	(1,507)	(12,033)
Dividends paid to minority shareholders of subsidiaries	(38)	(42)	(463)
Other, net	(420)	(306)	(5,110)
Net cash provided by (used in) financing activities	(14,132)	6,549	(171,943)
Effect of exchange rate changes on cash and cash equivalents	(26)	(271)	(316)
Net increase in cash and cash equivalents	2,682	2,090	32,632
Cash and cash equivalents, beginning of year	38,340	36,250	466,480
Cash and cash equivalents, end of year (note 21)	¥ 41,022	¥ 38,340	\$ 499,112

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okasan Securities Group Inc. and Consolidated Subsidiaries — Year ended March 31, 2012

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The Company and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiary in conformity with those of the country of its domicile.

"Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements include the accounts of the Company and its 10 subsidiaries. There are no affiliates accounted for by equity method.

The "Accounting Standards for Consolidation" require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the Company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the Company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method. Investments in affiliates are accounted for by the equity method. The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments. The unallocated portion of the difference 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 statement 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 statement of income. Gains and losses arose from derivatives held or issued for trading purposes are also reported as "net gain on trading" in the accompanying consolidated statement of income, 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 sheet 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 other accumulated comprehensive income. Debt securities classified as "available-for-sale securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "available-for-sale securities" for which market value is not available are stated at the gross-average cost.
- e. Hedging transactions** – The Company states derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes. Valuation gains or losses on hedging instruments are mainly deferred as assets or liabilities until the gains or losses on underlying hedged instruments are realized. The Company and certain subsidiaries have entered into interest rate swap agreements for hedging interest rate exposures. The difference in amounts to be paid or received on interest rate swap agreements is recognized over the life of the agreement as an adjustment to interest expense.
- f. Collateralized securities transactions** – Collateralized securities transactions consist of securities borrowed and loaned transactions and Gensaki transactions. Securities borrowed transactions generally require the Company to provide the counterparty with collateral in the form of cash. And securities loaned transactions, the Company generally receives collateral in the form of cash. The Company monitors the market value of the securities borrowed or loaned and requires additional cash, as necessary, to ensure that such transactions are adequately collateralized. Under the "Uniform Accounting Standards of Securities Companies", securities borrowed and loaned transactions are accounted for as financing transactions. Securities borrowed or loaned that are cash collateralized are recorded at the amount of cash collateral advanced or received. Gensaki transactions originate in the Japanese financial markets, and involve the selling ("Sell Gensaki")/purchasing ("Buy Gensaki") of commercial paper, certificates of deposit, Japanese government bonds and various other debt securities to/from an institution wishing to make a short-term investment, with the Company agreeing to repurchase/resell them from/to the institution on a specified date at a specified price. Under the "Accounting Standards for Financial Instruments", Gensaki transactions are accounted for as financing transactions. Gensaki transactions are carried at their contractual amounts.
- g. Allowance for doubtful accounts** – Allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries are provided on the estimated historical deterioration rate for normal accounts, and based on specifically assessed amounts for doubtful accounts. An overseas consolidated subsidiary provides specifically assessed amount for doubtful accounts.

- h. Property and equipment** – Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings purchased in Japan after April 1, 1998. And in an overseas subsidiary, depreciation is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 15 years for equipment.
- i. Intangible assets** – Intangible assets are carried at cost less amortization. Software for internal use is amortized under straight-line method based on internally estimated useful life (5 years). Amortization of other intangible assets is calculated by the straight-line method at rates based on the estimated useful lives of respective assets.
- j. Retirement and severance benefits** – The Company and its domestic consolidated subsidiaries have contributory and noncontributory pension plans, and unfunded retirement and severance plans to provide retirement and severance benefits to substantially all employees. Under the "Accounting Standards for Retirement Benefits", provisions for defined benefit retirement and pension plans have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under contributory and noncontributory pension plans. The Company and its domestic consolidated subsidiaries have unfunded defined benefit pension plans for directors and corporate auditors. The provision for the plans has been made in the accompanying consolidated financial statements for vested benefits to which directors and corporate auditors are entitled if they were to retire and sever immediately at the balance sheet date.
- k. Leases** – Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to March 31, 2008, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses.
- l. Income taxes** – Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax. The "Accounting Standards for Income Taxes" require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included on the financial statements or tax return. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary difference are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has filed consolidated tax returns in Japan.
- m. Foreign currency transactions** – Under the "Accounting Standards for Foreign Currency Transactions," receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities, and revenues and expenses of an overseas subsidiary are translated into yen at the rate of exchange as of the balance sheet dates, a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" in a component of net assets.
- n. Asset retirement obligations** – The Company recognizes an asset retirement obligation which is a statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the

same amount.

o. Accounting Changes and Error Corrections – From the year ended March 31, 2012, the Company applied "the Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "the Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, December 4, 2009).

The Standard and the Guidance prescribe (a) treatment in principle for changes in accounting policies, (b) treatment for changes in presentations, (c) treatment for changes in accounting estimates, and (d) treatment for corrections of prior period errors.

p. Reclassifications – Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used in consolidated statements as of and for the year ended March 31, 2012.

3. BASIS OF FINANCIAL STATEMENT TRANSLATION

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 30, 2012, which was ¥82.19 to U.S. \$1.

The convenience translations should not be construed as representations that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

4. TRADING ASSETS AND LIABILITIES

Trading assets and trading liabilities at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Trading assets:			
Equity securities and warrants	¥ 1,327	¥ 1,140	\$ 16,146
Government, corporate and other bonds	180,313	177,871	2,193,856
Commercial paper and certificates of deposit	3,998	3,498	48,643
Derivatives	30	4	365
	¥ 185,668	¥ 182,513	\$ 2,259,010
Trading liabilities:			
Equity securities and warrants	¥ 940	¥ 962	\$ 11,437
Government, corporate and other bonds	147,312	119,912	1,792,335
Commercial paper and certificates of deposit	3,999	3,497	48,655
Derivatives	17	59	207
	¥ 152,268	¥ 124,430	\$ 1,852,634

5. MARGIN TRANSACTIONS

Margin transactions at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets:			
Loans receivable from customers	¥ 26,164	¥ 29,837	\$ 318,336
Cash deposits as collateral for securities borrowed from securities finance companies	7,369	6,410	89,658
	<u>¥ 33,533</u>	<u>¥ 36,247</u>	<u>\$ 407,994</u>
Liabilities:			
Borrowings from securities finance companies	¥ 4,300	¥ 8,795	\$ 52,318
Proceeds from securities sold for customers' accounts	11,872	10,628	144,446
	<u>¥ 16,172</u>	<u>¥ 19,423</u>	<u>\$ 196,764</u>

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, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets:			
Cash collateral for securities borrowed	<u>¥ 186,087</u>	<u>¥ 167,522</u>	<u>\$ 2,264,107</u>
Liabilities:			
Cash collateral for securities loaned	¥ 61,367	¥ 26,784	\$ 746,648
Sell Gensaki transactions	-	2,240	-
	<u>¥ 61,367</u>	<u>¥ 29,024</u>	<u>\$ 746,648</u>

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, 2012 and 2011 is summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2012				
Current:				
Government, corporate and other bonds	¥ 3,298	¥ -	¥ -	¥ 3,298
Other	270	-	(2)	268
	¥ 3,568	¥ -	¥ (2)	¥ 3,566
Non-current:				
Equity securities	¥ 11,581	¥ 3,571	¥ (2,285)	¥ 12,867
Government, corporate and other bonds	298	16	-	314
Other	759	13	(29)	743
	¥ 12,638	¥ 3,600	¥ (2,314)	¥ 13,924

At March 31, 2011				
Current:				
Government, corporate and other bonds	¥ 3,298	¥ -	¥ -	¥ 3,298
Non-current:				
Equity securities	¥ 11,354	¥ 3,302	¥ (2,057)	¥ 12,599
Government, corporate and other bonds	298	15	-	313
Other	1,432	126	(25)	1,533
	¥ 13,084	¥ 3,443	¥ (2,082)	¥ 14,445

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
At March 31, 2012				
Current:				
Government, corporate and other bonds	\$ 40,126	\$ -	\$ -	\$ 40,126
Other	3,285	-	(24)	3,261
	\$ 43,411	\$ -	\$ (24)	\$ 43,387
Non-current:				
Equity securities	\$ 140,905	\$ 43,448	\$ (27,801)	\$ 156,552
Government, corporate and other bonds	3,626	194	-	3,820
Other	9,235	158	(353)	9,040
	\$ 153,766	\$ 43,800	\$ (28,154)	\$ 169,412

Securities classified as available-for-sale securities for which fair value is not available are unlisted equity securities amounting to ¥4,813 million (\$58,559 thousand) and ¥4,725 million, and investments in limited partnership and similar partnership amounting to ¥171 million (\$2,081 thousand) and ¥293 million at March 31, 2012 and 2011, respectively.

For the years ended March 31, 2012 and 2011, 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 securities	Gross realized gains	Gross realized losses
March 31, 2012			
Equity securities	¥ 60	¥ 54	¥ (2)
Government, corporate and other bonds	3,900	-	-
Other	844	154	(32)
	¥ 4,804	¥ 208	¥ (34)
March 31, 2011			
Equity securities	¥ 497	¥ 450	¥ (1)
Government, corporate and other bonds	1,800	-	-
Other	148	3	(1)
	¥ 2,445	¥ 453	¥ (2)

	Thousands of U.S. dollars		
	Proceeds from sales of available-for-sale securities	Gross realized gains	Gross realized losses
March 31, 2012			
Equity securities	\$ 730	\$ 657	\$ (24)
Government, corporate and other bonds	47,451	-	-
Other	10,269	1,874	(390)
	\$ 58,450	\$ 2,531	\$ (414)

8. INVESTMENTS IN AN AFFILIATE

The aggregate carrying amount of investments in an affiliate at March 31, 2012 and 2011 are ¥22million (\$268 thousand) and ¥22 million, respectively.

9. BORROWINGS

The weighted-average interest rates applicable to the short-term borrowings are 0.61% at both March 31, 2012 and 2011.

Long-term borrowings at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Borrowings, maturing in installments through 2016; bearing weighted average interest of 2.64% at March 31, 2012	¥ 15,413	¥ -	\$ 187,529
Borrowings, maturing in installments through 2016; bearing weighted average interest of 2.71% at March 31, 2011	-	17,650	-
Less current installments	1,935	2,307	23,543
	¥ 13,478	¥ 15,343	\$ 163,986

Lease liabilities at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease liabilities maturing in installments through 2017; bearing weighted average interest of 3.38% at March 31, 2012	¥ 1,141	¥ -	\$ 13,882
Lease liabilities maturing in installments through 2017; bearing weighted average interest of 3.58% at March 31, 2011	-	1,059	-
Less current installments	445	354	5,414
	<u>¥ 696</u>	<u>¥ 705</u>	<u>\$ 8,468</u>

- (1) Current installments of long-term borrowings are included in short-term borrowings in the accompanying balance sheet.
- (2) Long-term borrowings included subordinated borrowings provided in Article 176 of the "Cabinet Office Ordinance Concerning Financial Instruments Business" (the Prime Minister's Office Ordinance No. 52, 2007) as follows:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Current installments of long-term borrowings	¥ -	¥ 1,850	\$ -
Long-term borrowings	7,900	7,900	96,119

Annual maturities of borrowings after March 31, 2013, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	2014	¥ 3,622
2015	4,151	50,505
2016	5,705	69,412
2017	-	-

Annual maturities of lease liabilities after March 31, 2013, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	2014	¥ 311
2015	186	2,263
2016	136	1,655
2017	52	633

To meet its liquidity needs stably and expeditiously and to strengthen financial operations, the Company established a ¥22,000 million (\$267,672 thousand) and a ¥22,000 million commitment line contracts with 8 financial institutions at March 31, 2012 and 2011, respectively. There are no borrowings under the commitment line contracts at both March 31, 2012 and 2011.

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

10. PLEDGED ASSETS

At March 31, 2012 and 2011, the carrying value of assets pledged is as follows:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Cash in banks	¥ 3,873	¥ 4,008	\$ 47,122
Trading assets	25,033	28,883	304,575
Property and equipment	9,475	9,546	115,282
Investment securities	11,413	11,375	138,861
	<u>¥ 49,794</u>	<u>¥ 53,812</u>	<u>\$ 605,840</u>

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term borrowings	¥ 34,750	¥ 34,322	\$ 422,801
Borrowings from securities finance companies	325	2,379	3,954
Long-term borrowings	5,578	7,443	67,867
	<u>¥ 40,653</u>	<u>¥ 44,144</u>	<u>\$ 494,622</u>

In addition to above, at March 31, 2012, trading assets, etc. amounting to ¥59,551 million (\$724,553 thousand) and investments securities amounting to ¥167 million (\$2,032 thousand) are deposited as guarantee for settlement of trading accounts and securities borrowed, respectively. At March 31, 2011, trading assets, etc. amounting to ¥60,098 million and investments securities amounting to ¥86 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, 2012 and 2011, except for those disclosed in the above table, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Securities loaned on margin transactions	¥ 12,585	¥ 10,796	\$ 153,121
Securities pledged for borrowings on margin transactions	4,382	8,961	53,315
Securities loaned	61,247	26,692	745,188
Other	41,021	53,253	499,100
	<u>¥ 119,235</u>	<u>¥ 99,702</u>	<u>\$ 1,450,724</u>

The fair value of the securities received as collateral at March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Securities received on margin transactions	¥ 25,343	¥ 27,809	\$ 308,347
Securities borrowed	191,039	172,425	2,324,358
Securities pledged as collateral	29,218	36,396	355,493
Other	7,530	6,806	91,617
	<u>¥ 253,130</u>	<u>¥ 243,436</u>	<u>\$ 3,079,815</u>

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% in 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and deferred tax liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of
	2012	2011	U.S. dollars
Deferred tax assets:			2012
Tax loss carryforwards	¥ 3,162	¥ 3,022	\$ 38,472
Retirement and severance benefits (employees)	1,887	2,032	22,959
Allowance for doubtful accounts	889	1,275	10,816
Accrued bonuses	601	612	7,312
Financial instruments transactions reserve	494	492	6,010
Retirement and severance benefits (directors and corporate auditors)	456	497	5,548
Impairment loss	363	393	4,417
Asset retirement obligations	324	347	3,942
Loss on devaluation of investment securities	244	270	2,969
Depreciation and amortization	142	192	1,728
Loss on devaluation of golf memberships	142	220	1,728
Accrued business tax	116	153	1,411
Other	299	305	3,638
	9,119	9,810	110,950
Valuation allowance	(5,343)	(5,778)	(65,008)
Total	3,776	4,032	45,942
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(448)	(506)	(5,451)
Land revaluation excess	(1,650)	(1,879)	(20,075)
Other	(181)	(233)	(2,202)
Total	(2,279)	(2,618)	(27,728)
Net deferred tax assets	¥ 1,497	¥ 1,414	\$ 18,214

Net deferred tax assets at March 31, 2012 and 2011 are reflected in the accompanying consolidated balance sheet under the following captions:

	Millions of yen		Thousands of
	2012	2011	U.S. dollars
Current assets – Deferred income taxes	¥ 854	¥ 848	\$ 10,391
Investments and other assets – Deferred income taxes	2,345	2,471	28,532
Current liabilities – Other current liabilities	(51)	(25)	(621)
Non-current liabilities – Deferred income taxes	(1,651)	(1,880)	(20,088)
	¥ 1,497	¥ 1,414	\$ 18,214

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Statutory tax rate	40.5%	40.5%
Expenses not deductible for tax purposes	4.0	7.7
Income not credited for tax purposes	(1.6)	(1.9)
Per capita tax	2.1	3.5
Refund of income taxes	-	(70.1)
Valuation allowance	8.0	55.3
Expiration of tax loss carryforwards	-	9.4
Other	(2.5)	0.7
Decrease of deferred tax assets due to change in statutory tax rate	9.8	-
Effective tax rate	60.3%	45.1%

On December 2, 2011, the Japanese government issued "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011). Under these

newly promulgated laws, the statutory tax rate applicable for consolidated accounting years beginning on or after April 1, 2012, will be changed.

Accompanying these changes, the effective statutory tax rate applicable to the calculation of deferred tax assets and deferred tax liabilities will be changed.

As a result of these changes, the net deferred tax assets decreased by ¥326 million (\$3,966 thousand), the income taxes-deferred increased by ¥387 million (\$4,708 thousand) and net unrealized gain on available-for-sale securities increased by ¥61 million (\$742 thousand). The surplus on land revaluation increased by ¥229 million (\$2,786 thousand) because the deferred tax liabilities related to surplus on land revaluation decreased by ¥229 million (\$2,786 thousand).

12. RETIREMENT AND PENSION PLANS

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

The funded status of retirement and pension plans at March 31, 2012 and 2011 consist of the followings:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligations	¥ (13,719)	¥ (12,244)	\$ (166,918)
Fair value of plan assets	6,897	6,816	83,915
Unrecognized actuarial gain	1,547	393	18,822
Amount recognized in the consolidated balance sheet	¥ (5,275)	¥ (5,035)	\$ (64,181)

The components of net periodic benefit cost for the years ended March 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 560	¥ 564	\$ 6,813
Interest cost	238	238	2,896
Expected return on plan assets	(32)	(32)	(389)
Recognized actuarial loss	221	92	2,689
	987	862	12,009
Contributions to the defined contribution plan	181	184	2,202
	¥ 1,168	¥ 1,046	\$ 14,211

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
	Periodic allocation method for projected benefit	Straight-line
Discount rate	0.99%	2.10%
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. 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 ¥1,240 million (\$15,087 thousand) and ¥1,226 million at March 31, 2012 and 2011, respectively.

13. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligation is based on estimated future restoration liabilities related to leasehold contracts of branch offices and so on.

The obligation is calculated based on the estimated period of use of 2 to 58 years and discounted rate of 0.155% to 2.33% .

The following table provides the Company's total asset retirement obligation for the years ended March 31, 2012 and 2011:

	Millions of yen		Thousands of
	2012	2011	U.S. dollars
Balance, beginning of year	¥ 532	¥ 490	\$ 6,473
Liabilities incurred by asset acquisition	37	66	450
Accretion expenses	11	10	134
Liabilities settled	-	(34)	-
Balance, end of year	¥ 580	¥ 532	\$ 7,057

The above asset retirement obligation at the beginning of year 2011 was calculated by estimating the undiscounted future cash flow as of the beginning of the year and by using a discount rate.

14. FINANCIAL INSTRUMENTS TRANSACTIONS RESERVE

The Financial Instruments and Exchange Law of Japan requires a securities company to set aside a reserve in proportion to its securities and other related trading or derivative transactions to cover possible customer losses incurred by default of the securities company on securities or derivative transactions. Financial instruments transactions reserve is calculated based on Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Law.

15. SHAREHOLDERS' EQUITY

The Companies Act 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 Companies Act 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 sheet.

Cash dividends and appropriations to the legal reserve charged to retained earnings for the years ended March 31, 2012 and 2011 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 Companies Act.

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

(a) Total dividends	¥1,507 million
(b) Cash dividends per common share	¥7.5
(c) Record date	March 31, 2010
(d) Effective date	June 30, 2010

Dividends paid during the year ended March 31, 2012 which was approved by the General Meeting of Shareholders held on June 29, 2011 are as follows:

(a) Total dividends	¥989 million (\$12,033 thousand)
(b) Cash dividends per common share	¥5 (\$0.06)
(c) Record date	March 31, 2011
(d) Effective date	June 30, 2011

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2012 which was approved by the General Meeting of Shareholders held on June 28, 2012 are as follows:

(a) Total dividends	¥1,000 million (\$12,167 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥5 (\$0.06)
(d) Record date	March 31, 2012
(e) Effective date	June 29, 2012

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, 2012 decreased by ¥870 million (\$10,585 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 355.6% and 373.3% at March 31, 2012 and 2011, respectively.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Commissions and brokerage	¥ 10,304	¥ 10,934	\$ 125,368
Employees' compensation and benefits	27,643	28,565	336,330
Occupancy and rental	6,037	6,439	73,452
Data processing and office supplies	5,306	5,092	64,558
Depreciation and amortization	3,939	3,828	47,926
Taxes other than income taxes	537	561	6,534
Provision for doubtful accounts	(6)	-	(73)
Other	2,555	2,448	31,086
	<u>¥ 56,315</u>	<u>¥ 57,867</u>	<u>\$ 685,181</u>

19. OTHER COMPREHENSIVE INCOME

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income (loss) for the year ended March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
Net unrealized holding gain on other securities:		
Arising during the year	¥ (35)	\$ (426)
Reclassification adjustment	(21)	(255)
Before tax amount	(56)	(681)
Tax benefit	60	730
Net-of-tax amount	4	49
Surplus on land revaluation:		
Tax benefit	229	2,786
Foreign currency translation adjustments:		
Arising during the year	(30)	(365)
Total other comprehensive income	¥ 203	\$ 2,470

20. PER SHARE INFORMATION

(a) Net Income per Share

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2012 and 2011 are as follows:

	Yen		U.S. dollars
	2012	2011	2012
Basic net income per share	¥ 4.93	¥ 3.15	\$ 0.06
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income	¥ 984	¥ 640	\$ 11,972
Net income not applicable to common shareholders	-	-	-
Net income applicable to common shareholders	¥ 984	¥ 640	\$ 11,972
	Number of shares (Thousand)		
	2012	2011	
Weighted average number of shares outstanding on which basic net income per share is calculated	199,569	203,104	

(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, 2012 and 2011 are as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share	¥ 466.31	¥ 463.37	\$ 5.67

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total net assets	¥ 112,016	¥ 112,623	\$ 1,362,891
Amount deducted from total net assets:			
Minority interests	19,556	19,431	237,936
Net assets applicable to common stockholders	¥ 92,460	¥ 93,192	\$ 1,124,955
	Number of shares (Thousand)		
	2012	2011	
Number of shares outstanding at the end of year on which net assets per share is calculated	198,278	201,119	

21. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation between "Cash on hand and in banks" in the accompanying consolidated balance sheet and "Cash and cash equivalents" in the accompanying consolidated statement of cash flows at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash on hand and in banks	¥ 45,898	¥ 43,340	\$ 558,438
Time deposits that have maturities of over three months when acquired	(4,876)	(5,000)	(59,326)
Cash and cash equivalents	¥ 41,022	¥ 38,340	\$ 499,112

22. COMMITMENTS AND CONTINGENCIES

At March 31, 2012 and 2011, the Company and certain subsidiaries have guaranteed approximately ¥108 million (\$1,314 thousand) and ¥127 million of employee mortgage loans to financial institutions, respectively. If an employee defaults on his/her loan payments, the Company and/or certain subsidiaries are required to perform under the guarantee.

23. LEASES

(a) Finance Lease

Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized at March 31, 2012 and 2011 are as follows, which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2012			2011		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 564	¥ 360	¥ 924	¥ 1,192	¥ 491	¥ 1,683
Accumulated depreciation	489	344	833	839	389	1,228
Accumulated impairment loss	-	-	-	1	-	1
Net carrying amount	¥ 75	¥ 16	¥ 91	¥ 352	¥ 102	¥ 454

	Thousands of U.S. dollars		
	2012		
	Furniture and Fixtures	Software	Total
Acquisition cost	\$ 6,862	\$ 4,380	\$ 11,242
Accumulated depreciation	5,950	4,185	10,135
Accumulated impairment loss	-	-	-
Net carrying amount	<u>\$ 912</u>	<u>\$ 195</u>	<u>\$ 1,107</u>

Future minimum payments required under finance leases at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Due within one year	¥ 94	¥ 276
Due after one year	8	207	97
	<u>¥ 102</u>	<u>¥ 483</u>	<u>\$ 1,241</u>

Lease payments, depreciation equivalents and interest expense equivalents for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Lease payments	¥ 241	¥ 497
Reversal of accumulated impairment loss	-	0	-
Depreciation equivalents	215	456	2,616
Interest expense equivalents	9	24	110

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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Within one year	¥ 556	¥ 512
Over one year	2,043	2,577	24,857
	<u>¥ 2,599</u>	<u>¥ 3,089</u>	<u>\$ 31,622</u>

24. FINANCIAL INSTRUMENTS

Conditions of Financial instruments

(1) Management policy

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

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

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

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

(2) Financial instruments and risks

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

The cash in banks are exposed to credit risk of banks. Most of cash segregated as deposits for customers and others are cash segregated as deposits for customers, and are segregated from the Group own assets and trusted to banks in accordance with the Japanese Financial Instruments and Exchange Law. The trusted funds are secured by the Trust Act.

Trading position is made for meeting customers' various needs and for hedging the position. Such trading involves market and counterparty risks which possibly effect on the financial position of the Group. Market risk is the risk arising from future changes in the market values of securities, interest rates and foreign currency exchange rates, and counterparty risk is the risk arising from default by the counterparty.

Receivables on margin transactions consist of loans receivable from customers and cash deposits as collateral for securities borrowed from securities finance companies, and are exposed to credit risk of counterparties. Receivables on collateralized securities transactions consist of cash collateral for securities borrowed, and are exposed to counterparty risk. Investment securities are exposed to issuer's credit risk and market risk.

The main financial liabilities of the Group consist of trading liabilities, payables on margin transactions, payables on collateralized securities transactions, deposits received, guarantee deposits received and borrowings.

Payables on margin transactions consist of borrowings from securities finance companies and proceeds from securities sold for customers' accounts. Payables on collateralized securities transactions consist of cash collateral for securities loaned. Deposit received is temporary unsettled amount arising from transaction with customers. Guarantee deposits received is deposit received for margin transactions from customers. Part of financial liabilities, such as borrowings, are exposed to liquidity risk that is the risk for the Group not to make a payment on due date. The borrowings with variable interest rate are exposed to interest rate fluctuation risk.

The Group uses derivative financial instruments as part of asset and liability management. For trading purpose, the Group uses derivatives listed on exchange such as stock index futures and bond futures, as well as over-the-counter derivatives such as forward foreign exchange transactions. For non-trading purpose, the Group uses interest rate swaps. 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.

(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. Secondly, risk control department ascertains the position and the assessed risks reported by the trading department, and supervise the position.

Proprietary position at every month end is stress tested based on the scenario of 10% decrease in stocks and 100 basis points increase in interest rates for bonds, and effect of an expected loss on capital adequacy ratio is reported to Financial Service Agency. The stress test indicates that the expected loss is ¥410 million (\$4,988 thousand) as of March 31, 2012.

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 sheet, fair value, and differences as of March 31, 2012 and 2011 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					
	2012			2011		
	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
Assets:						
Cash on hand and in banks	¥ 45,898	¥ 45,898	¥ -	¥ 43,340	¥ 43,340	¥ -
Cash segregated as deposits for customers and others	42,750	42,750	-	48,053	48,053	-
Trading assets, short-term investments and investment securities						
Trading securities	185,638	185,638	-	182,509	182,509	-
Available-for-sale securities	17,490	17,490	-	17,743	17,743	-
Receivables on margin transactions	33,533	33,533	-	36,247	36,247	-
Receivables on collateralized securities transactions	186,087	186,087	-	167,522	167,522	-
Short-term guarantee deposits	3,475	3,475	-	3,423	3,423	-
Total	¥ 514,871	¥ 514,871	¥ -	¥ 498,837	¥ 498,837	¥ -
Liabilities:						
Trading liabilities						
Trading securities	¥ 152,251	¥ 152,251	¥ -	¥ 124,371	¥ 124,371	¥ -
Payables arising from unsettled trades	4,058	4,058	-	28,476	28,476	-
Payables on margin transactions	16,172	16,172	-	19,423	19,423	-
Payables on collateralized securities transactions	61,367	61,367	-	29,024	29,024	-
Deposits received	18,338	18,338	-	20,187	20,187	-
Guarantee deposits received	22,996	22,996	-	27,388	27,388	-
Short-term borrowings	136,168	136,194	26	146,283	146,287	4
Long-term borrowings	13,478	13,640	162	15,343	15,550	207
Total	¥ 424,828	¥ 425,016	¥ 188	¥ 410,495	¥ 410,706	¥ 211
Derivative transactions	¥ 13	¥ 13	¥ -	¥ (56)	¥ (56)	¥ -

	Thousands of U.S. dollars		
	2012		
	Carrying value	Fair value	Differences
Assets:			
Cash on hand and in banks	\$ 558,438	\$ 558,438	\$ -
Cash segregated as deposits for customers and others	520,136	520,136	-
Trading assets, short-term investments and investment securities			
Trading securities	2,258,645	2,258,645	-
Available-for-sale securities	212,800	212,800	-
Receivables on margin transactions	407,994	407,994	-
Receivables on collateralized securities transactions	2,264,107	2,264,107	-
Short-term guarantee deposits	42,280	42,280	-
Total	\$ 6,264,400	\$ 6,264,400	\$ -
Liabilities:			
Trading liabilities			
Trading securities	\$ 1,852,427	\$ 1,852,427	\$ -
Payables arising from unsettled trades	49,373	49,373	-
Payables on margin transactions	196,764	196,764	-
Payables on collateralized securities transactions	746,648	746,648	-
Deposits received	223,117	223,117	-
Guarantee deposits received	279,791	279,791	-
Short-term borrowings	1,656,747	1,657,063	316
Long-term borrowings	163,986	165,957	1,971
Total	\$ 5,168,853	\$ 5,171,140	\$ 2,287
Derivative transactions	\$ 158	\$ 158	\$ -

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

(1) Fair value measurement of financial instruments

Assets:

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

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

Trading assets, short-term investments and investment securities

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

Liabilities:

Trading liabilities

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

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

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

Long-term borrowings

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

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

Derivative Transactions:

Please see note 25. DERIVATIVES.

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities	¥ 4,813	¥ 4,725	\$ 58,559
Investments in limited partnership and similar partnership	171	293	2,081
Total	¥ 4,984	¥ 5,018	\$ 60,640

(3) ① Projected future redemption of monetary claim and securities with maturities at March 31, 2012

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash on hand and in banks	¥ 45,898	¥ -	¥ -	¥ -
Cash segregated as deposits for customers and others	42,750	-	-	-
Trading assets, short-term investments and investment securities:				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	3,300	300	-	-
Other	268	398	61	-
Receivables on margin transactions	33,533	-	-	-
Receivables on collateralized securities transactions	186,087	-	-	-
Short-term guarantee deposits	3,476	-	-	-
	¥ 315,312	¥ 698	¥ 61	¥ -

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash on hand and in banks	\$ 558,438	\$ -	\$ -	\$ -
Cash segregated as deposits for customers and others	520,136	-	-	-
Trading assets, short-term investments and investment securities:				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	40,151	3,650	-	-
Other	3,260	4,843	742	-
Receivables on margin transactions	407,994	-	-	-
Receivables on collateralized securities transactions	2,264,108	-	-	-
Short-term guarantee deposits	42,292	-	-	-
	<u>\$ 3,836,379</u>	<u>\$ 8,493</u>	<u>\$ 742</u>	<u>¥ -</u>

② Projected future redemption of monetary claim and securities with maturities at March 31, 2011

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash on hand and in banks	¥ 43,340	¥ -	¥ -	¥ -
Cash segregated as deposits for customers and others	48,053	-	-	-
Trading assets, short-term investments and investment securities:				
Available-for-sale securities with maturities:				
Debt securities:				
Government bonds	3,300	300	-	-
Other	-	568	3	64
Receivables on margin transactions	36,247	-	-	-
Receivables on collateralized securities transactions	167,522	-	-	-
Short-term guarantee deposits	3,423	-	-	-
	<u>¥ 301,885</u>	<u>¥ 868</u>	<u>¥ 3</u>	<u>¥ 64</u>

(4) The annual maturities of the long-term debt
Please see note 9. BORROWINGS.

25.DERIVATIVES

Derivatives utilized for trading purposes

The contract or notional amounts and fair value of derivative financial instruments for trading purposes held at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen					
	2012			2011		
	Contract or notional amounts	Fair value	Valuation gain (loss)	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:						
Written	¥ 3,163	¥ (4)	¥ (4)	¥ 2,933	¥ (78)	¥ (78)
Purchased	3,166	(11)	(11)	3,175	30	30
Stock index options:						
Written	3	2	1	-	-	-
Purchased	1	2	1	22	2	(20)
Bond futures:						
Written	-	-	-	1,674	(1)	(1)
Purchased	8,654	8	8	140	-	-
Forward foreign exchange:						
Written:						
South Africa Rand	512	11	11	120	(1)	(1)
Australian dollar	379	4	4	427	(3)	(3)
U.S. dollar	141	1	1	124	-	-
New Zealand dollar	61	1	1	126	(1)	(1)
Other	218	2	2	307	(2)	(2)

	Thousands of U.S. dollars		
	2012		
	Contract or notional amounts	Fair value	Valuation gain (loss)
Stock index futures:			
Written	\$ 38,484	\$ (49)	\$ (49)
Purchased	38,521	(134)	(134)
Stock index options:			
Written	36	24	12
Purchased	12	24	12
Bond futures:			
Purchased	105,293	97	97
Forward foreign exchange:			
Written:			
South Africa Rand	6,229	134	134
Australian dollar	4,611	49	49
U.S. dollar	1,716	12	12
New Zealand dollar	742	12	12
Other	2,652	24	24

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, 2012 and 2011, gain or loss on deemed settlement is disclosed in the "Fair value" column of stock index futures, bond futures, interest futures and forward foreign exchange above.

Derivatives utilized for non-trading purposes

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

	Millions of yen			
	Contract or notional amounts	Fair value	Valuation gain (loss)	
Interest rate swaps:				
Variable rate received for fixed rate	¥ 54	¥ (1)	¥ (1)	

The fair value of interest rate swaps is estimated based on quotes from counterparties. 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, 2012 and 2011 are summarized as follows:

Nature of transaction	Hedged items	Contract or notional amounts		
		Millions of yen		Thousands of U.S. dollars
		2012	2011	2012
Interest rate swaps:				
Variable rate received for fixed rate	Long-term borrowings	¥ 7,500	¥ 8,050	\$ 91,252

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

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

26. INVESTMENT AND RENTAL PROPERTY

"Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, November 28, 2008) and its "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, November 28, 2008) require to disclose fair value of investment and rental property in the notes to financial statements.

The Company and certain consolidated subsidiaries own their rental office buildings, land etc (hereafter "rental property"). Income from the rental property is ¥171 million (\$2,081 thousand) and ¥161 million for the years ended March 31, 2012 and 2011, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Consolidated balance sheet amount:			
Balance at beginning of the year	¥ 5,953	¥ 5,972	\$ 72,430
Increase/(decrease)	(94)	(19)	(1,144)
Balance at end of the year	¥ 5,859	¥ 5,953	\$ 71,286
Fair value	¥ 5,422	¥ 5,845	\$ 65,969

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

27. 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, 2012 and 2011.

Transactions between the Company and Santo Co., Ltd. for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	
Transactions:				
Purchases of affiliates shares	¥ 166	¥ 144	\$	2,020

Transactions between the consolidated subsidiary of the Company and Santo Co., Ltd. for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	
Transactions:				
Loan of securities	¥ 558	¥ 646	\$	6,789

28. SEGMENT INFORMATION

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

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

"Securities business", "Asset management business" and "Support business" are the Company's reported segments.

"Securities business" renders trading and brokerage for trading in securities, underwriting and distribution of securities, public offering and secondary distribution of securities and private offering of securities.

"Asset management business" renders investment management and investment advisory. "Support business" renders information processing services, administrative support services, custodianship and temping services, etc.

Segment operating revenues, income, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements.

Segment income is calculated based on operating income in the consolidated statement of income.

Intersegment revenues and transfer are based on arms-length transactions.

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

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2012 and 2011 are summarized as follows:

Millions of yen							
2012							
Reported segments							
	Securities	Asset management	Support	Total	Adjustments	Consolidated	
Operating revenues:							
Revenues from third parties	¥ 50,461	¥ 9,441	¥ 1,155	¥ 61,057	¥ 8	¥ 61,065	
Intersegment revenues	4,872	-	8,590	13,462	(13,462)	-	
Total	¥ 55,333	¥ 9,441	¥ 9,745	¥ 74,519	¥ (13,454)	¥ 61,065	
Segment income	¥ 873	¥ 412	¥ 1,063	¥ 2,348	¥ 804	¥ 3,152	
Segment assets	¥ 526,059	¥ 12,088	¥ 24,901	¥ 563,048	¥ (6,659)	¥ 556,389	
Segment liabilities	¥ 450,840	¥ 1,056	¥ 14,944	¥ 466,840	¥ (22,467)	¥ 444,373	
Others:							
Depreciation	¥ 1,281	¥ 44	¥ 2,508	¥ 3,833	¥ 106	¥ 3,939	
Financial income	2,450	-	-	2,450	(462)	1,988	
Financial expenses	1,967	-	-	1,967	(369)	1,598	
Increase in property and equipment and intangible assets	600	87	1,698	2,385	88	2,473	
Millions of yen							
2011							
Reported segments							
	Securities	Asset management	Support	Total	Adjustments	Consolidated	
Operating revenues:							
Revenues from third parties	¥ 52,281	¥ 9,354	¥ 1,311	¥ 62,946	¥ 18	¥ 62,964	
Intersegment revenues	5,443	-	9,039	14,482	(14,482)	-	
Total	¥ 57,724	¥ 9,354	¥ 10,350	¥ 77,428	¥ (14,464)	¥ 62,964	
Segment income	¥ 850	¥ 655	¥ 1,251	¥ 2,756	¥ 653	¥ 3,409	
Segment assets	¥ 511,174	¥ 11,833	¥ 25,822	¥ 548,829	¥ (6,292)	¥ 542,537	
Segment liabilities	¥ 434,727	¥ 1,063	¥ 16,646	¥ 452,436	¥ (22,522)	¥ 429,914	
Others:							
Depreciation	¥ 1,165	¥ 40	¥ 2,514	¥ 3,719	¥ 109	¥ 3,828	
Amortization of goodwill	-	-	-	-	47	47	
Financial income	2,840	-	-	2,840	(560)	2,280	
Financial expenses	2,149	-	-	2,149	(460)	1,689	
Increase in property and equipment and intangible assets	1,213	23	1,525	2,761	178	2,939	

Thousands of U.S. dollars						
2012						
Reported segments						
	Securities	Asset management	Support	Total	Adjustments	Consolidated
Operating revenues:						
Revenues from third parties	\$ 613,956	\$ 114,868	\$ 14,053	\$ 742,877	\$ 97	\$ 742,974
Intersegment revenues	59,277	-	104,514	163,791	(163,791)	-
Total	<u>673,233</u>	<u>114,868</u>	<u>118,567</u>	<u>906,668</u>	<u>(163,694)</u>	<u>742,974</u>
Segment income	<u>\$ 10,622</u>	<u>\$ 5,013</u>	<u>\$ 12,933</u>	<u>\$ 28,568</u>	<u>\$ 9,782</u>	<u>\$ 38,350</u>
Segment assets	<u>\$ 6,400,523</u>	<u>\$ 147,074</u>	<u>\$ 302,969</u>	<u>\$ 6,850,566</u>	<u>\$ (81,020)</u>	<u>\$ 6,769,546</u>
Segment liabilities	<u>\$ 5,485,339</u>	<u>\$ 12,848</u>	<u>\$ 181,823</u>	<u>\$ 5,680,010</u>	<u>\$ (273,355)</u>	<u>\$ 5,406,655</u>
Others:						
Depreciation	\$ 15,586	\$ 535	\$ 30,515	\$ 46,636	\$ 1,290	\$ 47,926
Financial income	29,809	-	-	29,809	(5,621)	24,188
Financial expenses	23,932	-	-	23,932	(4,489)	19,443
Increase in property and equipment and intangible assets	7,300	1,059	20,659	29,018	1,071	30,089

1. (1) Components of "Adjustments in segment income" are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Elimination of intersegment transactions	¥ 3,002	¥ 2,771	\$ 36,525
Unallocated company-wide expenses	(2,198)	(2,118)	(26,743)
	<u>¥ 804</u>	<u>¥ 653</u>	<u>\$ 9,782</u>

Company-wide expenses are holding company's expenses.

(2) Components of "Adjustments in segment assets" are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Elimination of intersegment balances	¥ (38,633)	¥ (38,900)	\$ (470,045)
Unallocated company-wide assets	31,974	32,608	389,025
	<u>¥ (6,659)</u>	<u>¥ (6,292)</u>	<u>\$ (81,020)</u>

Company-wide assets are holding company's assets.

(3) Components of "Adjustments in segment liabilities" are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Elimination of intersegment balances	¥ (38,174)	¥ (38,118)	\$ (464,461)
Unallocated company-wide liabilities	15,707	15,596	191,106
	<u>¥ (22,467)</u>	<u>¥ (22,522)</u>	<u>\$ (273,355)</u>

Company-wide liabilities are holding company's liabilities.

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

Related information

1. Information by products and services

Disclosures are omitted because operating revenues from third parties of a single product and service are over 90% of operating revenues in the consolidated statement of income.

2. Geographical information

(1) Operating revenues

Disclosures are omitted because operating revenues from customers in Japan are over 90% of operating revenues in the consolidated statement of income.

(2) Property and equipment

Disclosures are omitted because property and equipment located in Japan are over 90% of property and equipment in the consolidated balance sheet.

3. Information by major customers

Disclosures are omitted because no particular third party whose operating revenues are over 10% of operating revenues in the consolidated statement of income exists.

Information of impairment loss on fixed assets by reported segments

Not applicable

Negative goodwill incurred by reported segments

Negative goodwill of ¥279 million (\$3,395 thousand) and ¥166 million which are not allocated to each reported segments are reported for the years ended March 31, 2012 and 2011, respectively. The negative goodwill occurred when the Company acquired additional shares of its subsidiary.

29. Subsequent event

The acquisition of 3,056 thousand shares (82.1% of issued shares) of Shinwa Securities Co., Ltd. ("Shinwa Securities") was approved at the Board of Directors held on June 14, 2012 of Marufuku Securities Co., Ltd. ("Marufuku Securities") which is the subsidiary of the Company. And Marufuku Securities concluded the share sales contract on June 15, 2012.

1. Purpose of shares acquisition

Marufuku Securities has branch offices around Niigata prefecture mainly in Nagaoka City. Shinwa Securities does business and has a firm establishment in Niigata City. Securities companies have become more important to meet individual investors' needs for investments. Marufuku Securities decided to acquire the shares of Shinwa Securities to establish a system to provide high level investment services by merging the two companies which do business in Niigata prefecture together.

2. Marufuku Securities acquired the shares of Shinwa Securities from Mizuho Securities Co., Ltd.

3. Outline of Shinwa securities Co., Ltd.

Representative director: Narihide Kurata

Location: 6-1178-1 Kami-okawamae-dori Chuo-ku Niigata-city Niigata prefecture

Establishment: March 31, 1944

Common stock: ¥780 million (\$9,490 thousand)

Business: Financial instruments and exchange business

4. Date of acquisition

July 2, 2012



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BDO Toyo & Co.
Kandamitoshirocho7,
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101-0053 Japan

Independent Auditors' Report

To the Board of Directors of
Okasan Securities Group Inc.

We have audited the accompanying consolidated financial statements of Okasan Securities Group Inc., which comprise the consolidated balance sheet as of March 31, 2012, and the consolidated statement of income, comprehensive income (loss), changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Okasan Securities Group Inc. as of March 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in note 3 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

BDO Toyo & Co.

BDO Toyo & Co.
Tokyo, Japan
June 29, 2012

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REFERENCE DATA

Okasan Securities Co., Ltd.

Balance Sheet — March 31, 2012

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 14,159	¥ 12,191	\$ 172,272
Cash segregated as deposits for customers and others	16,062	15,362	195,425
Trading assets	185,657	182,458	2,258,876
Receivables on margin transactions	31,109	30,800	378,501
Receivables on collateralized securities transactions	186,087	167,522	2,264,108
Short-term guarantee deposits	2,973	2,564	36,172
Deferred income taxes	642	578	7,811
Other current assets	2,494	2,580	30,344
Allowance for doubtful accounts	(3)	(5)	(37)
Total current assets	439,180	414,050	5,343,472
Property and equipment, net of accumulated depreciation	2,149	2,264	26,147
Intangible assets, net	417	364	5,074
Investments and other assets:			
Investment securities	658	1,064	8,006
Long-term guarantee deposits	3,539	3,545	43,059
Deferred income taxes	1,678	1,764	20,416
Other	1,479	1,519	17,995
Allowance for doubtful accounts	(1,071)	(1,073)	(13,031)
Total investments and other assets	6,283	6,819	76,445
TOTAL	¥ 448,029	¥ 423,497	\$ 5,451,138

Okasan Securities Co., Ltd.

Balance Sheet — (Continued) — March 31, 2012

	Millions of yen		Thousands of U.S. dollar
	2012	2011	2012
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trading liabilities	¥ 152,258	¥ 124,404	\$ 1,852,512
Payables arising from unsettled trades	4,803	28,582	58,438
Payables on margin transactions	15,146	16,886	184,280
Payables on collateralized securities transactions	61,367	29,024	746,648
Deposits received	11,829	12,445	143,923
Guarantee deposits received	6,870	8,666	83,587
Short-term borrowings	123,465	130,415	1,502,190
Income tax payables	319	194	3,881
Other current liabilities	4,928	4,525	59,959
Total current liabilities	380,985	355,141	4,635,418
Non-current liabilities:			
Long-term borrowings	7,900	8,900	96,119
Retirement and severance benefits	4,845	4,577	58,949
Other non-current liabilities	1,139	1,234	13,858
Total non-current liabilities	13,884	14,711	168,926
Financial instruments transactions reserve	809	768	9,843
Total liabilities	395,678	370,620	4,814,187
Net assets			
Shareholder's equity:			
Common stock			
Authorized – 240,000 shares			
Issued – 100,000 shares in 2012 and 2011	5,000	5,000	60,835
Capital surplus	29,200	29,200	355,274
Retained earnings	18,159	18,621	220,939
Total shareholder's equity	52,359	52,821	637,048
Accumulated other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities	(8)	56	(97)
Total net assets	52,351	52,877	636,951
TOTAL	¥ 448,029	¥ 423,497	\$ 5,451,138

Okasan Securities Co., Ltd.

Statement of Income — Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollar
	2012	2011	2012
Operating revenues:			
Commissions	¥ 29,234	¥ 29,396	\$ 355,688
Net gain on trading	16,784	17,786	204,210
Interest and dividend income	1,537	1,832	18,700
	47,555	49,014	578,598
Interest expense	1,440	1,484	17,520
Net operating revenues	46,115	47,530	561,078
Selling, general and administrative expenses	44,749	46,274	544,458
Operating income	1,366	1,256	16,620
Other income (expenses):			
Gain on sale of investment securities	102	-	1,241
Provision for financial instruments transactions reserve	(41)	(188)	(499)
Cumulative effect on prior years of adoption of new accounting standard for asset retirement obligations	-	(411)	-
Other, net	210	328	2,555
	271	(271)	3,297
Income before income taxes	1,637	985	19,917
Income taxes:			
Current	1,034	721	12,580
Deferred	65	114	791
	1,099	835	13,371
Net income	¥ 538	¥ 150	\$ 6,546

CORPORATE DATA

(At March, 2012)

Company Name
OKASAN SECURITIES GROUP INC.

Date of Establishment
August 25, 1944

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

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

Phone Number
+81-3-3272-2222

Paid-in Capital
18,590 Million Yen

Subsidiaries
10 companies

Listed Stock Exchanges
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange

BOARD OF DIRECTORS

(At March, 2012)

Chairman
Seiichi Kato

President
Tetsuo Kato

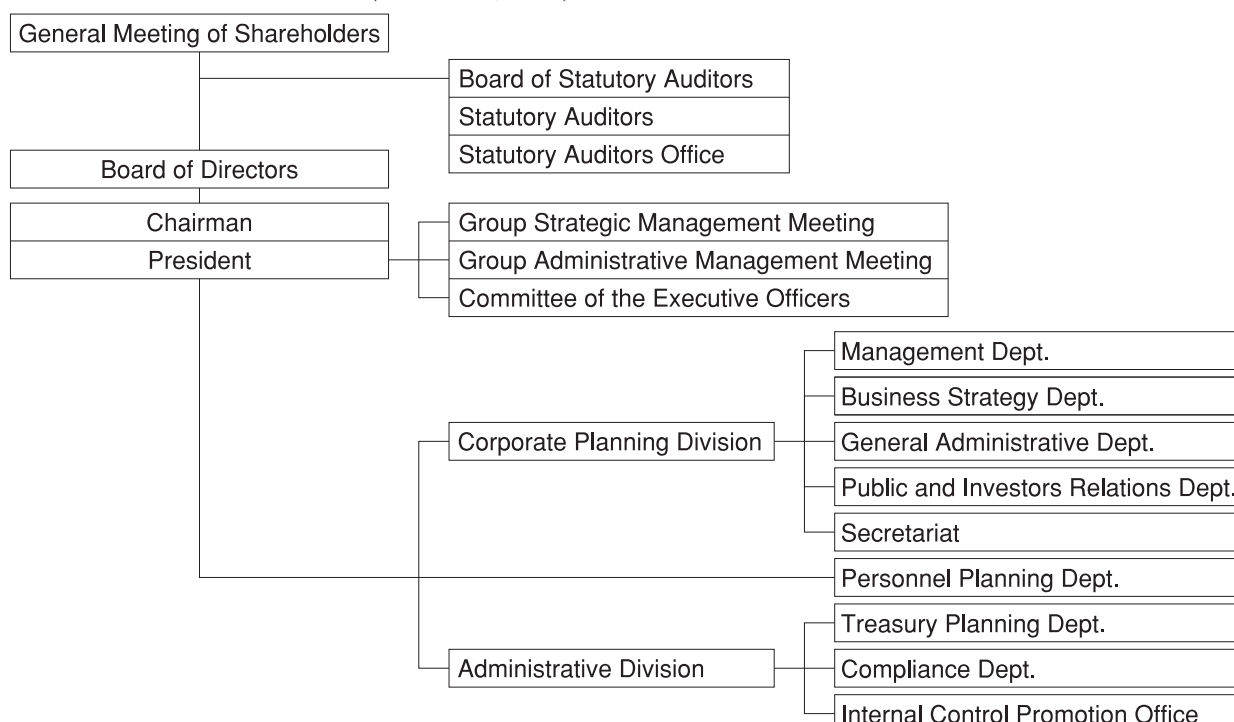
Senior Managing Director
Hiroyuki Shinshiba
Kazuhiko Nonaka

Director
Kenichi Tanaka
Masanori Kanai
Hiroyuki Shindo

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

ORGANIZATION CHART

(At March, 2012)



OKASAN SECURITIES GROUP INC.

<http://www.okasan.jp/>