

Business Result for Fiscal Year to March 31, 2011

(consolidated basis)

Released on April 28, 2011

Name of Company: **Ichiyoshi Securities Co., Ltd.**

Listed on: First Sections of Tokyo Stock Exchange and Osaka Securities Exchange

(Stock code number: 8624)

Corporate representative: Mr. Masashi Takehi, President & Chief Executive Officer

Date of annual shareholders' meeting: June 18, 2011 (scheduled)

Payment date for final dividends: May 30, 2011 (scheduled)

Filing date of annual securities report: June 21, 2011 (scheduled)

Supplemental information on business result: Provided.

Business result-reporting meeting: Planned for institutional investors and analysts.

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1. Consolidated Business Result for Fiscal Year Ended March 31, 2011

(1) **Highlights of consolidated business result** (in millions of yen with fractions less than a million yen discarded, except for per-share figures)

| | --- Fiscal year ended --- | |
|--|---------------------------|----------------|
| | March 31, 2011 | March 31, 2010 |
| | (% year-to-year) | |
| Operating revenue | 13,101 (- 16.8) | 15,744 (+10.4) |
| Net operating revenue | 13,043 (- 16.7) | 15,661 (+10.6) |
| Operating income | - 1,612 (-) | 233 (-) |
| Current income | - 1,499 (-) | 140 (-) |
| Net income | - 1,575 (-) | 40 (-) |
| Earnings per share | - 36.12yen | 0.93yen |
| Earnings per share on a diluted basis (adjusted for shares potentially issuable) | -- | -- |
| Net return on equity | - 6.1% | 0.1% |
| Current income as % of total assets | - 4.1% | 0.4% |
| Operating income as % of operating Revenue | - 12.3% | 1.5% |

Notes: Comprehensive income for each fiscal year:

- 1,550 million yen for fiscal year ended March 31, 2011.

- 0 million yen for fiscal year ended March 31, 2010.

Investment gains or loss by an equity method for each fiscal year:

158 million yen for fiscal year ended March 31, 2011.

None for fiscal year ended March 31, 2010.

(2) Consolidated financial condition

| | --- As of March 31 --- | |
|-----------------------------------|------------------------|-----------|
| | 2011 | 2010 |
| Total assets (in millions of yen) | 35,607 | 37,254 |
| Net worth (in millions of yen) | 24,672 | 26,917 |
| Equity ratio | 69.1% | 72.1% |
| Net worth per share | 560.19yen | 619.13yen |

Note: Shareholders' equity at the end of each fiscal year:

24,607 million yen at March 31, 2011

26,875 million yen at March 31, 2010

(3) Consolidated cash flow (in millions of yen)

| | --- Fiscal year ended --- | |
|--|---------------------------|----------------|
| | March 31, 2011 | March 31, 2010 |
| Cash flow from operating activities | 5,358 | - 5,215 |
| Cash flow from investing activities | - 430 | - 210 |
| Cash flow from financing activities | - 1,152 | - 768 |
| Cash and cash equivalents at end of the term | 13,146 | 9,156 |

2. Dividend

| | --- Fiscal year ended --- | | |
|---|---------------------------|-------------------|-------------------------------|
| | March 31, 2011 | March 31, 2010 | March 31, 2012 (Forecast*) |
| ----- | | | |
| Per-share dividend: | | | |
| Interim dividend | 12.00yen | 12.00 yen | -- |
| Final dividend | 12.00yen | 12.00 yen | -- |
| Annual total | 24.00yen | 24.00 yen | -- |
| Total dividend payout | 1,049 million yen | 1,047 million yen | -- |
| Payout ratio (consolidated) | -- | 2,580.6% | -- |
| Total dividend payout as % of net worth | 4.1% | 3.8% | -- |

Notes: *= Forecast is not provided because it is not Ichiyoshi's practice to give earnings or dividend forecast.

3. Outlook for Consolidated Business Result for Fiscal Year ending March 31, 2012(from April 1, 2011 to March 31, 2012)

Since the forecast of earnings in financial-instruments trading, the main-line business of Ichiyoshi and its group companies, is hard to make due to volatile factors in the market, we do not provide such forecast prior to the end of each quarterly and annual business term. Instead, we intend to release preliminary earnings figures after the end of each business term as and when such figures become available.

4. Other Matters

(1) Changes in material subsidiaries (resulting in a change in scope of consolidation):

None.

(2) Changes in accounting treatment principles, procedures and presentation methods:

(i) Changes resulting from revisions to accounting standards: Yes.

(ii) Changes other than those in (i): None.

(For further details, please see “**Material Matters Essential for Preparation of Consolidated Financial Statements**” described elsewhere herein as a footnote to the consolidated financial statements.)

(3) Number of issued shares (common stock)

(a) Number of issued shares at the end of each fiscal year (including treasury shares):

44,431,386 shares at March 31, 2011

44,431,386 shares at March 31, 2010

(b) Number of treasury shares at the end of each fiscal year:

503,881 shares at March 31, 2011

1,023,061 shares at March 31, 2010

(c) Average number of shares outstanding during the term:

43,615,956 shares for fiscal year ended March 31, 2011

43,814,202 shares for fiscal year ended March 31, 2010

(Note: Please see “**Per-share data**” described elsewhere herein for the number of shares used for computation of per-share data.)

[Referential information]

Outline of Non-consolidated Business Result (parent company basis)

1. Business result for fiscal year ended March 31, 2011 (in millions of yen with fractions less than a million yen discarded, except for per-share figures)

| | --- Fiscal year ended --- | | | |
|-----------------------|---------------------------|-----------|----------------|----------|
| | March 31, 2011 | | March 31, 2010 | |
| | (% year-to-year) | | | |
| ----- | | | | |
| Operating revenue | 12,196 | (- 18.4) | 14,954 | (+ 12.3) |
| Net operating revenue | 12,151 | (- 18.3) | 14,878 | (+ 12.5) |
| Operating income | - 1,661 | (-) | 328 | (-) |

| | | |
|---|---------------|-----------|
| Current income | - 1,710 (-) | 235 (-) |
| Net income | - 1,759 (-) | 354 (-) |
| Earnings per share | - 40.34yen | 8.08yen |
| Earnings per share on a diluted basis (adjusted for shares potentially issuable) | -- | -- |
| Net return on equity | - 6.8% | 1.3% |

2. Financial condition

| | --- As of March 31 --- | |
|-----------------------------------|------------------------|-----------|
| | 2011 | 2010 |
| Total assets (in millions of yen) | 34,645 | 36,554 |
| Net worth (in millions of yen) | 24,508 | 26,926 |
| Equity ratio | 70.6 % | 73.6% |
| Net worth per share | 557.00yen | 620.05yen |
| Capital adequacy ratio | 472.5% | 494.1% |

Shareholders' equity at the end of each fiscal year:

24,474 million yen as of March 31, 2011.

26,915 million yen as of March 31, 2010.

3. Outlook for non-consolidated business result for fiscal year ending March 31, 2011 (from April 1, 2010 to March 31, 2011)

Since the forecast of earnings in financial-instruments trading is hard to make due to volatile factors in the market, we do not provide such forecast prior to the end of each quarterly and annual business term. Instead, we intend to release preliminary earnings figures after the end of each business term as and when such figures become available.

Points of note:

1. This business report was prepared without being audited (as statutorily authorized to do so). The business result reported herein is being audited as required under the Financial Instruments and Securities Exchange Law at the time of this release.
2. For the same reason that we do not provide earnings forecast prior to the end of each quarterly and annual business term as stated in "3. Outlook for Consolidated

Business Result for Fiscal 2012 (from April 1, 2011 to March 31, 2012)” on page 2, we do not provide a dividend forecast.

I. Business Result

1. Analysis on Consolidated Business Result

The Japanese stock market reached a high point in April 2010 with the Nikkei Stock Average on the Tokyo Stock Exchange (the TSE) recording 11,408yen. Thereafter, however, the stock market entered the correctional period on fears about the effect of the European fiscal uncertainty on the Japanese economy. The Nikkei Stock Average declined about 20% to 8,796yen on September 1, 2010. As the U.S. adopted its second quantitative monetary easing (QE2) in November, the yen started to weaken and the Nikkei Stock Average began to bounce back. The firm tone in the stock market continued through the early part of 2011, with the Nikkei Stock Average recording a post-April 2010 high of 10,891yen on February 17, 2011. As the East Japan Great Earthquake hit Japan, however, the stock market experienced a substantial fall with the Nikkei Stock Average dropping to 8,227yen on March 15, 2011, about 20% below the pre-earthquake level on March 10 and a new low for the fiscal year in question. Amid the earthquake-driven crisis, the Bank of Japan adopted additional monetary steps and flushed the credit market with sufficient funds, thereby helping the stock market recover to 9,755yen on March 31, 2011 (the final date of the fiscal year in question).

The Japanese emerging-stock markets, in which Ichiyoshi Securities Co. has strength, underwent the correctional stage after April 2010, and bounced back from early November. Its steady tone continued into 2011 with the Nikkei JASDAQ Stock Average registering 1,351yen on February 21, 2011, near its fiscal year high of 1,355yen recorded in April 2010. The Nikkei JASDAQ Stock Average ended the fiscal year at 1,229yen.

The average daily turnover on the TSE during the fiscal year was 1,553.2 billion yen, almost the same level as the previous fiscal year. The average daily turnover on the OSE JASDAQ Market rose 12.8% to 20.9billion yen.

Against such background, the Company designated 8 investment trust funds, such as “Global Sovereign Open” and “Mellon World Emerging Sovereign Fund,” as basic assets of customers and placed them in the center of the Company’s promotional activities. In addition, the Company exerted its efforts on the distribution of other investment trust funds, such as “Sumitomo Mitsui REIT Open,” “Pictet Global Income Stock Fund” and equity funds, such as “Ichiyoshi Invesco Small and Medium Growth Open,” focused on small- and mid-cap stocks in which Ichiyoshi has strength.

Resultantly, net operating revenue for the fiscal year ended March 31, 2011 amounted to 13,043 million yen. Operating cost and expenses recorded 14,656 million yen. Hence, current income registered a loss of 1,499 million yen.

Customers' assets in the Company's custody as at March 31, 2011 stood at 1,346.7 billion yen, down 1.7% from March 31, 2010.

Set forth below are details of revenue sources, cost and expenses, cash flow and financial condition.

(1) Commissions

Total commissions for the fiscal year ended March 31, 2011 amounted to 11,567 million yen, down 16.9% from the previous fiscal year ended March 31, 2010.

(i) Brokerage commissions

Total brokerage commissions on stocks declined 16.6% to 4,225 million yen. Of these commissions, those on small- and mid-cap stocks (consisting of stocks listed on Second Sections of the Tokyo Stock Exchange (TSE) and the Osaka Stock Exchange (OSE), OSE JASDAQ Market and TSE Mothers) accounted for 15.6%, up from 14.0% for the previous fiscal year.

(ii) Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in the management and underwriting of 4 initial public offerings (IPO's), as against 5 IPO's in the previous fiscal year. In the secondary market (for follow-on financing), the Company participated in 6 deals on a management and underwriting basis, as against 5 in the previous fiscal year (one of which was lead-managed by the Company). As a result, total commissions from underwriting of stocks and bonds and solicitation to specified investors recorded 44 million yen, down 68.8%.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 832 (of which 27 were lead-managed by the Company) as of March 31, 2011.

(iii) Commissions from distribution and solicitation to specified investors

Commissions from distribution and solicitation to specified investors decreased 28.8% to 2,660 million yen as commissions from distribution of investment funds, mostly funds which pay out income monthly, declined 28.9 % to 2,654 million yen.

(iv) Commissions from other sources

The trailer fees on investment funds decreased 1.4% to 4,192 million yen as the outstanding balances of investment funds as at the end of the fiscal year fell 2.6% to 665.7 billion yen. With the addition of commissions from variable-annuity insurance

policy sales, wrap-account management fees and fees from research unbundling, total commissions from other sources amounted to 4,616 million yen, down 5.9%.

(2) Gains or Loss on Trading

Trading on stocks, etc. recorded gains of 274 million yen, down 39.8%, and trading on bonds, foreign exchange, etc. registered gains of 308 million yen, down 35.5%. Consequently, total gains on trading amounted to 583 million yen, down 37.6%.

(3) Interest and Dividend Income

Interest and dividend income declined 29.7% to 177 million yen, reflecting a decrease in average outstanding balances of advances for margin transactions during the fiscal year, and interest expenses dropped 31.1% to 57 million yen. As a result, net interest and dividend income amounted to 119 million yen, down 29.1%.

(4) Operating Cost and Expenses

As a result of ongoing efforts for cost reduction, review of outsourcing and functional rationalization of headquarters through the consolidation of divisions, departments and sections, operating cost and expenses decreased 5.0% to 14,656 million yen.

Resultantly, current income for the fiscal year ended March 31, 2011 amounted to a loss of 1,499 million yen.

(5) Extraordinary Income and Loss

The Company recorded an extraordinary income of 106 million yen, including a 48 million yen reversal from reserve for financial instruments transaction liabilities and gains of 21 million yen on sales of investment securities, and an extraordinary loss of 99 million yen, including an impairment loss of 64 million yen. As a result, the Company registered a net extraordinary income of 7 million yen.

After allowing for net extraordinary income, income before income taxes for the fiscal year ended March 31, 2011 recorded a loss of 1,492 million yen, and net income (after deduction of income, inhabitant and enterprise taxes, totaling 75 million yen and corporate tax adjustments of 6 million yen) registered a loss of 1,575 million yen.

2. Analysis on Consolidated Financial Condition

(1) Condition of Assets, Liabilities and Net Worth

(i) Current assets

Current assets amounted to 27,541 million yen as of March 31, 2011, a decline of 1,693 million yen (down 5.8%) from March 31, 2010, as advances for margin purchases fell by 1,739 million yen and subscription payments for investment trust funds slid by 3,367 million yen while cash and bank deposits increased by 3,972 million yen.

(ii) Fixed assets

Fixed assets stood at 8,066 million yen (up 0.6%) as of March 31, 2011. While fixed assets increased with the creation of goodwill and the acceptance of land and buildings on the absorptions of Tamaki Securities, Iida Securities and Sasebo Securities, the Company recognized the impairment loss of 62 million yen.

As a result, total assets stood at 35,607 million yen as of March 31, 2011, a decrease of 1,647 million yen (down 4.4%) from March 31, 2010.

(iii) Current liabilities

Current liabilities stood at 10,031 million yen as of March 31, 2011, an increase of 629 million yen (up 6.7%) from March 31, 2010. The increase chiefly resulted from an increment of 1,420 million yen in customers' deposits for agency business while cash received for loaned securities declined by 789 million yen.

(iv) Long-term liabilities

Long-term liabilities recorded 799 million yen as of March 31, 2011, an increase of 3 million yen (up 0.4%) from March 31, 2010. The increase mainly resulted from a rise in long-term borrowings of consolidated subsidiaries.

(v) Statutory reserves

Statutory reserves registered 102 million yen as of March 31, 2011, a decrease of 36 million yen (down 26.1%) from March 31, 2010. The decrease resulted from a reduction of reserve for financial instruments transaction liabilities.

() Net worth

Net worth amounted to 24,672 million yen as of March 31, 2011, a decrease of 2,244 million yen (down 8.3%) from March 31, 2010. The decrease mainly resulted from a decline in retained earnings, which was caused by dividend payments in the amount of 1,043 million yen and a net loss of 1,575 million yen for the fiscal year.

As a result, equity ratio as of March 31, 2011 recorded 69.1%, and capital adequacy ratio as of the same date, as defined by the securities regulator, registered 472.5%.

(2) Cash Flow

The amount of cash and cash equivalents as of March 31, 2011, stood at 13,146 million yen, an increase of 3,990 million yen from the end of the previous fiscal year (March 31, 2010).

(i) Cash flow from operating activities

Cash flow from operating activities for the fiscal year ended March 31, 2011 amounted to 5,358 million yen, an increase of 10,574 million yen from the previous fiscal year, despite income before taxes and tax adjustments registering a loss. Main contributors were a decrease in margin transaction assets, segregated cash and statutory deposits and subscription payments for investment trust funds.

(ii) Cash flow from investing activities

Cash flow from investing activities registered a negative figure of 430 million yen, a decline of 220 million yen, due chiefly to the acquisition of tangible and intangible fixed assets .

(iii) Cash flow from financing activities

Cash flow from financing activities recorded a negative figure of 1,152 million yen, a decline of 384 million yen, mainly as a result of dividend payments.

3 Basic Policy on Earnings Distribution and Dividends for Fiscal Year Ending March 31, 2012

One of the Company's core management policies is to make an appropriate earnings distribution to the Company's shareholders.

With respect to dividends, the Company places its stress on a continuous stream of dividend payments. Thus, under the current dividend policy, an annual total of dividend per share will be equal to either approximately 40% of annual earnings per share (namely, payout ratio of approximately 40%) or approximately 4% of equity per share (namely, DOE of approximately 4%), whichever is larger. The degree of DOE is subject to review every six months at the time of dividend declaration.

Under this policy, an interim dividend per share of 12.00yen was paid to the shareholders of the record as of September 30, 2010, and a final dividend per share of 12.00yen is to be paid to the shareholders of record as of March 31, 2011. The total annual dividend per share of 24.00yen is equal to approximately 4% of equity per

share.

4. Risks relating to business

The Company considers that the following risks exist with respect to the business result and financial condition of Ichiyoshi and its group companies (the “Ichiyoshi group” or the “group”) that may affect investors’ judgment materially.

Being aware of these risks, the Ichiyoshi group is determined to prevent them from occurring and to be prepared against the occurrence of any such risk.

Any statement about future herein is being made on the basis of the Company’s judgment as of the end of the fiscal year (March 31, 2011).

(1) Revenue volatility risk of financial-instruments trading business

There is a possibility that Ichiyoshi’s brokerage commissions will decrease as transactions shrink when prices of stocks and bonds decline in the domestic or foreign markets. Ichiyoshi’s activities in the primary market may also be similarly affected in such conditions.

(2) Market risk

There is a possibility that Ichiyoshi will incur a loss due to price fluctuations of securities owned caused by changes in stock prices, interest rates and forward exchange rates as Ichiyoshi is engaged in trading for its own account.

(3) Credit risk (counterparty risk)

There is a possibility that the group will incur a loss when default (or decline in creditworthiness) occurs on Ichiyoshi’s counterparty.

(4) Liquidity risk

There is a possibility that the group will incur a loss when it faces a liquidity problem due to a change in the financial condition or when it is forced to borrow funds at rates much higher than normal under such circumstances.

(5) Clerical risk

There is a possibility that the group will incur a loss due to a mistake in clerical work or as a result of a human error, accident or wrongful behavior although the group is exerting its efforts to put in place extensive working manuals and improve on its compliance system.

(6) System risk

There is a possibility that the group will incur a loss as a result of breakdown or malfunction of, or a fire breakout or electric power failure on, or an improper access to, its computer system.

(7) Legal risk

There is a possibility that the group will incur a loss or face a liquidation or administrative disciplinary action as a result of its violation of rules, regulations or laws.

(8) Information-related risk

There is a possibility that the group will incur a loss or face a deterioration of its reputation in connection with insider trading, leakage of internal information or improper information disclosure.

(9) Competition risk

The securities industry is faced with serious competition which is expected to heighten further hereafter. Hence, there is a possibility that the group's business result and financial condition will be affected when the group cannot get an upper hand in such competition.

(10) Risk from amendments to legal system

There is a possibility that the group's business result and financial condition will be affected by potential amendments to the legal current system surrounding the securities industry.

(11) Risk from disasters

There is a possibility that the group's business result and its financial condition may suffer when disasters, such as an earthquake and fire, break out, obstructing the group's business activities or doing damages to the group's officers and employees.

II. State of Ichiyoshi Group

The Ichiyoshi group, consisting of Ichiyoshi Securities Co., Ltd. ("Ichiyoshi" or the "Company"), its three consolidated subsidiaries and one associated company, is principally engaged in investment and financial services chiefly associated with financial-instruments.

Ichiyoshi is directly engaged in buying and selling of, and dealing in, securities (such buying and selling of, and dealing in, securities are called hereinafter as "securities transactions"), acting as agent or broker for securities transactions, underwriting and distributing publicly-offered or privately-placed securities and carrying out other securities-related businesses. Thus, Ichiyoshi provides wide-ranging services matching varying needs of its customers relating to securities and investments.

In conjunction with the above-mentioned activities by Ichiyoshi, the three consolidated

subsidiaries perform their respective functions: Ichiyoshi Research Institute Inc. undertakes research and data/information collection relating to small- and mid-cap growth companies; Ichiyoshi Investment Management Co., Ltd. provides asset-management services through investment administration and advisories; and Ichiyoshi Business Service Co., Ltd. undertakes peripheral services for the Ichiyoshi group, provides real estate renting/broking/management services, deals in office supplies and goods and acts as agent for financial-instruments trading.

On October 28, 2010, Ichiyoshi subscribed for the third-party allocation of new shares by Daihoku Securities Co., Ltd., headquartered at Morioka City, Iwate Prefecture, and made it an associated company to which an equity-method accounting applied. Through this subscription, the Ichiyoshi group plans to expand its business activities at Morioka City and its surrounding areas in cooperation with Daihoku's sales force.

List of 5 Companies in the Ichiyoshi Group

Parent company: **Ichiyoshi Securities Co., Ltd.** - financial-instruments trading business

Consolidated subsidiaries:

Ichiyoshi Research Institute Inc. – information services
(85.0% owned, of which 12.5% is indirectly owned)

Ichiyoshi Investment Management Co., Ltd. – investment management and advisories
(97.0% owned, of which 2.0% is indirectly owned)

Ichiyoshi Business Service Co., Ltd. – property renting/broking/management, sales of office supplies and financial-instruments trading agency
(100.0% owned)

Associated company:

Daihoku Securities Co., Ltd. financial-instruments trading business
(20.0% owned)

III. Management Policy

1. Basic Policy

The Company's motto is to "Be a Securities Company Like No Other in Japan." To realize this motto, the Company makes it a management objective to build a "Name-brand boutique house" in the finance and securities industry. In its efforts for realization, the Company intends to heighten the fairness and transparency of management along its "Credo" (corporate philosophy) and to promote flexible and relevant decision-making, thereby maximizing earnings and corporate value while bolstering its corporate governance. Taking advantage of its committees-based company system and its executive officer system, the Company aims to raise the promptitude and effectiveness of business executions and toughen its surveillance over business executions.

The Company's "Credo" (corporate philosophy):

Management philosophy: To remain a company of customers' trust and choice

Management objective: Name-brand boutique house in finance and securities industry

Action guidelines: Gratitude, Integrity, Courage, Responsiveness, Continuity and Good Long-Term Relation.

2. Triangular Pyramid Management

The Company is promoting "Triangular Pyramid Management" --- with the research division forming the base of the pyramid, and the retail, wholesale and support/products divisions forming their respective facets of the pyramid, and the pyramid itself is firmly supported by the back-office division. This management style is intended to maximize the capability of each division/subsidiary and enhance the co-working synergy of all the divisions/subsidiaries. This synergistic process will also raise the quality of the Company's products, information and customer services, thereby further satisfying the Company's retail and corporate customers' needs for asset-building and fund-raising.

3. Medium-term Management Plan

The Company formulated its "Medium-term Management Plan" in April 2008 to raise the framework of a name-brand boutique house on the foundation which had been laid through a series of preceding medium-term management plans. Subsequent to the collapse of Lehman Brothers in September 2008, however, the condition surrounding the Company worsened drastically, occasioning the global financial crisis and economic

downturn.

In the light of such situation, the Company decided to rebuild the foundation of a name-brand boutique house in a tougher way, and thus launched its “New Medium-term Management Plan with its new target date reset on March 31, 2012.

To achieve the targets, the Company intends to execute the below-mentioned 8 basic strategies keyed to the Company’s “Credo”. The following is a summary of the numerical targets contained in the New Medium-term Management Plan and its interim results as of March 31, 2011:

| Item | Targets | Interim results as of March 31, 2011 |
|---|----------------|--------------------------------------|
| Target date | March 31, 2012 | -- |
| Customers' assets in custody | 2 trillion | 1.3467 trillion yen |
| No. of companies whose equity offerings lead-managed by | | |
| Ichiyoshi | 35 companies | 27 companies |
| Return on equity | Approx 10-15% | - 6.8% |

The followings are 8 basic strategies to achieve the targets (as adjusted in the light of business conditions as of April 2010):

- (i) Company-wide understanding and promotion of “Credo”--- Corporate philosophy for everlasting growth.
- (ii) Expansion of business base --- Increase in customers’ assets in custody.
- (iii) Continuous improvement on revenue-cost structure --- Promotion of revenue structure not susceptible to stock market fluctuations.
- (iv) Raising of earnings on existing business lines ---Raising of earnings on specialized small- and mid-cap stock business.
- (v) Integrated power of the Ichiyoshi group --- Strengthening of the “Triangular Pyramid Management.”
- (vi) Practical observance of Legal Compliance --- Legal compliance is a source of competitiveness.
- (vii) Diversification of business channels --- Part of growth strategy.
- (viii) Nurturing and training of human talent --- Source of growth.

4. Challenges to Be Tackled

The Company's officers and employees share the importance of "Credo" as the "criteria of value" for the everlasting growth of the Company as well as for the promotion of compliance spirits, thereby enhancing the brand value of Ichiyoshi.

Regarding its long-term relationship with retail customers as a cornerstone of its business policy, the Company will strive to expand customers' assets in its custody by introducing carefully-selected financial products and providing asset-management services accurately tied to market changes. Specifically, the Company will present customers with comprehensive portfolios mainly consisting of relatively-stable assets with growth potential and matching customers' investment purposes and risk tolerance. During the course of the Company's management of customers' assets, the Company will keep customers provided with follow-up services on a regular and periodical basis.

As regards its wholesale customers, the Company will exert its efforts for the furtherance of investment banking activities, such as management of initial public offerings, securities underwriting and provision of M & A advisories.

With respect to overseas institutional investors, the Company will expand its English report distribution services by taking advantage of its strength in research on Japanese small and medium growth companies.

As part of its growth strategies, the Company absorbed Iida Securities Co., Ltd. and Sasebo Securities Co., Ltd. on January 4, 2011. Following the absorption of the two companies, the Company opened 7 branches: Iida Branch in Iida City, Nagano Prefecture, Komagane Branch in Komagane City, Nagano Prefecture, Ina Branch in Ina City, Nagano Prefecture, Sasebo Branch in Sasebo City in Saga Prefecture, Isahaya Branch in Isahaya City, Nagasaki Prefecture, Karatsu Branch in Karatsu City, Saga Prefecture and Takeo Branch in Takeo City, Saga Prefecture. On October 28, 2010, the Company made Daihoku Securities Co., Ltd. (headquartered in Morioka City, Iwate Prefecture) an associated company to which an equity-method accounting was applied to further strengthen its activities at Morioka City and its surrounding areas in cooperation with Daihoku's sales force. It is the Company's policy to diversify channels of relationship with customers by splitting its existing branches, opening new branches, networking with local securities firms, reinforcing its call center function and boosting financial-instruments transaction agency and customer-referrals.

With respect to nurturing and training of human talent, the Company regards it essential to enhance the quality and capability of each individual adviser and raise the expertise and skill of headquarters staff. Specifically, the Company will provide every young adviser with a veteran adviser as an instructor to beef up a young adviser's

on-the-job capability, and raise a young adviser's compliance-awareness by means of compliance sessions and e-learning training courses at each branch level.

. Consolidated Financial Statements

1. Consolidated Balance Sheets

(in millions of yen)

| | As of March 31 2011 | As of March 31 2010 |
|---|------------------------|------------------------|
| Current assets | | |
| Cash and bank deposits | 13,199 | 9,226 |
| Segregated cash and statutory deposits | 2,845 | 3,111 |
| Trading assets | 373 | 425 |
| Securities | 373 | 425 |
| Contracted trades | 8 | 33 |
| Margin transaction assets | 8,254 | 9,994 |
| Advances for margin purchases | 8,125 | 8,912 |
| Cash deposits as collateral for securities borrowed | 129 | 1,082 |
| Advance payments for customers on trades | 24 | 70 |
| Advance payments for subscription | 2,051 | 5,419 |
| Short-term loans | 11 | 8 |
| Income taxes receivable | 4 | - |
| Accrued income | 613 | 841 |
| Deferred tax assets | 5 | 6 |
| Other current assets | 160 | 109 |
| Allowances for doubtful accounts | -11 | -12 |
| | 27,541 | 29,234 |
| Fixed assets | | |
| Tangible fixed assets | 4,401 | 4,295 |
| Buildings | 1,675 | 1,772 |
| Fixtures and equipment | 824 | 836 |
| Land | 1,895 | 1,678 |
| Lease assets, net | 5 | 6 |
| Intangible fixed assets | 580 | 607 |
| Goodwill | 139 | - |
| Computer software | 439 | 604 |
| Telephone subscription rights, etc. | 2 | 2 |
| Investments, etc. | 3,084 | 3,118 |
| Investment securities | 1,733 | 1,762 |
| Long-term loans | 66 | 66 |
| Cash deposits as guarantee for long-term credits | 1,277 | 1,275 |
| Deferred tax assets | 6 | 12 |
| Other investments | 15 | 97 |
| Allowances for doubtful accounts | -16 | -97 |
| | 8,066 | 8,020 |
| Total assets | 35,607 | 37,254 |

| | As of March 31 2011 | As of March 31 2010 |
|---|------------------------|------------------------|
| Current liabilities | | |
| Trading liabilities | 2 | 4 |
| Derivatives | 2 | 4 |
| Margin transaction liabilities | 3,992 | 4,244 |
| Borrowings for margin transactions | 3,602 | 3,064 |
| Cash received for loaned securities | 390 | 1,179 |
| Borrowings against securities as collateral | - | 34 |
| Cash received for borrowed-securities transactions | - | 34 |
| Cash payable to customers | 3,955 | 2,534 |
| Deposits from customers (for committed trades) | 676 | 873 |
| Short-term borrowings | 210 | 210 |
| Lease obligations | 1 | 1 |
| Income taxes payable | 93 | 89 |
| Accrued bonuses to employees | 399 | 455 |
| Reserve for Point-Service Campaign | 203 | 272 |
| Other current liabilities | 496 | 682 |
| | 10,031 | 9,402 |
| Long-term liabilities | | |
| Long-term borrowings | 498 | 438 |
| Lease obligations | 3 | 5 |
| Deferred tax liabilities | 8 | 19 |
| Revaluation-related deferred tax liabilities | 40 | 40 |
| Accrued retirement benefits for employees | 198 | 221 |
| Accrued retirement benefits for officers | 39 | 55 |
| Other long-term liabilities | 10 | 16 |
| | 799 | 796 |
| Statutory reserves | | |
| Reserve for financial instruments transaction liabilities | 102 | 138 |
| | 102 | 138 |
| Total liabilities | 10,934 | 10,337 |
| Net worth | | |
| Shareholders' equity | 26,467 | 28,758 |
| Common stock | 14,577 | 14,577 |
| Capital surplus | 8,322 | 8,255 |
| Retained earnings | 3,822 | 6,441 |
| Treasury stock | -256 | -517 |
| Valuation and translation adjustments | -1,859 | -1,882 |
| Other securities valuation difference | 1 | -22 |
| Land revaluation difference | -1,860 | -1,860 |
| Subscription rights to shares | 33 | 11 |
| Minority interests | 31 | 30 |
| Total net worth | 24,672 | 26,917 |
| Total of liabilities and net worth | 35,607 | 37,254 |

2. Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements

(in millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2010 |
|---|-------------------------------------|-------------------------------------|
| Operating revenue | 13,101 | 15,744 |
| Commissions | 11,567 | 13,912 |
| Commission to consignees | 4,245 | 5,128 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 44 | 143 |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 2,660 | 3,736 |
| Other fees received | 4,616 | 4,903 |
| Gains or loss on trading | 583 | 934 |
| Interest and dividend income | 177 | 252 |
| Other operating income | 773 | 645 |
| Interest expenses | 57 | 83 |
| Net operating revenue | 13,043 | 15,661 |
| Operating cost and expenses | 14,656 | 15,427 |
| Transaction-related expenses | 1,412 | 1,463 |
| Personnel expenses | 7,936 | 8,580 |
| Property-related expenses | 1,750 | 1,757 |
| Clerical expenses | 2,183 | 2,142 |
| Depreciation | 656 | 711 |
| Public charges | 147 | 172 |
| Others | 569 | 598 |
| Operating income | -1,612 | 233 |
| Non-operating income | 215 | 90 |
| Dividends from investment securities | 17 | 19 |
| Insurance and dividends income | 14 | 28 |
| Equity in earnings of affiliates | 158 | - |
| Reversal of expired dividends | 6 | 17 |
| Interest on refund of income taxes and other | 0 | 10 |
| Others | 17 | 14 |
| Non-operating expenses | 101 | 183 |
| Loss on investments in partnership | 88 | 174 |
| Others | 13 | 9 |
| Current income | -1,499 | 140 |
| Extraordinary income | 106 | 109 |
| Gain on step acquisitions | 5 | - |
| Gain on prior period adjustment | 19 | - |
| Gains on sales of fixed assets | - | 9 |
| Gains on sales of investment securities | 21 | 19 |
| Gain on revision of retirement benefit plan | 6 | - |
| Gain on reversal of subscription rights to shares | - | 45 |
| Reversal of allowances for doubtful accounts | 5 | - |
| Reversal of reserve for financial instruments transaction liabilities | 48 | 29 |
| Others | - | 4 |
| Extraordinary expenses | 99 | 160 |
| Loss on prior period adjustment | 21 | - |
| Impairment loss | 64 | - |
| Loss on write-off of fixed assets | 1 | 20 |
| Loss on abandonment of fixed assets | - | 10 |
| Loss on sales of investment securities | 4 | - |
| Valuation loss on investment securities | 1 | 23 |
| Loss on liquidation of golf memberships | 7 | 0 |
| Transfer to allowances for doubtful accounts | - | 71 |
| Others | - | 34 |
| Income before income taxes | -1,492 | 89 |
| Income, inhabitant and enterprise taxes | 75 | 56 |
| Income taxes adjustments | 6 | -5 |
| Income before minority interests | -1,574 | - |
| Minority interests | 1 | -2 |
| Net income | -1,575 | 40 |

Consolidated Comprehensive Income Statements

(in millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2010 |
|--|-------------------------------------|-------------------------------------|
| Income before minority interests | -1,574 | - |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 26 | - |
| Share of other comprehensive income of associates accounted for using equity method | -3 | - |
| Total other comprehensive income | 23 | - |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | -1,552 | - |
| Comprehensive income attributable to minority interests | 1 | - |

3 . Consolidated Statements of Shareholders' Equity

Consolidated Statements of Shareholders' Equity
for the fiscal year ended March 31, 2011
(in millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at 3/31/2010 | 14,577 | 8,255 | 7,521 | -271 | 30,082 |
| Changes in the fiscal year: | | | | | |
| Issuance of new shares | | | | | - |
| Cash dividends | | | -1,043 | | -1,043 |
| Net income | | | -1,575 | | -1,575 |
| Purchase of treasury stock | | | | -8 | -8 |
| Disposal of treasury stock | | 66 | | 268 | 335 |
| Retirement of treasury stock | | | | | - |
| Partial write-back of land revaluation difference | | | | | - |
| Changes in items other than those in shareholders' equity (net) | | | | | - |
| Total changes in the fiscal year | - | 66 | -2,618 | 260 | -2,291 |
| Balance at 3/31/2011 | 14,577 | 8,322 | 3,822 | -256 | 26,467 |

| | Valuation and translation adjustments | | | Stock acquisition rights | Minority interests | Total net worth |
|---|---------------------------------------|-----------------------------|---|--------------------------|--------------------|-----------------|
| | Other securities valuation difference | Land revaluation difference | Total of difference on valuation and conversion | | | |
| Balance at 3/31/2010 | 16 | -2,016 | -2,000 | 39 | 33 | 28,156 |
| Changes in the fiscal year: | | | | | | |
| Issuance of new shares | | | | | | - |
| Cash dividends | | | | | | -1,043 |
| Net income | | | | | | -1,575 |
| Purchase of treasury stock | | | | | | -8 |
| Disposal of treasury stock | | | | | | 335 |
| Retirement of treasury stock | | | | | | - |
| Partial write-back of land revaluation difference | | | | | | - |
| Changes in items other than those in shareholders' equity (net) | 23 | | 23 | 21 | 1 | 46 |
| Total changes in the fiscal year | 23 | - | 23 | 21 | 1 | -2,244 |
| Balance at 3/31/2011 | 1 | -1,860 | -1,859 | 33 | 31 | 24,672 |

Consolidated Statements of Shareholders' Equity

for the fiscal year ended March 31, 2010

(in millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at 3/31/2009 | 14,577 | 8,255 | 7,521 | -271 | 30,082 |
| Changes in the fiscal year: | | | | | |
| Issuance of new shares | | | | | - |
| Cash dividends | | | -964 | | -964 |
| Net income | | | 40 | | 40 |
| Purchase of treasury stock | | | | -245 | -245 |
| Disposal of treasury stock | | | | | - |
| Retirement of treasury stock | | | | | - |
| Partial write-back of land revaluation difference | | | -155 | | -155 |
| Changes in items other than those in shareholders' equity (net) | | | | | - |
| Total changes in the fiscal year | - | - | -1,079 | -245 | -1,324 |
| Balance at 3/31/2010 | 14,577 | 8,255 | 6,441 | -517 | 28,758 |

| | Valuation and translation adjustments | | | Stock acquisition rights | Minority interests | Total net worth |
|---|---------------------------------------|-----------------------------|---|--------------------------|--------------------|-----------------|
| | Other securities valuation difference | Land revaluation difference | Total of difference on valuation and conversion | | | |
| Balance at 3/31/2009 | 16 | -2,016 | -2,000 | 39 | 33 | 28,156 |
| Changes in the fiscal year: | | | | | | |
| Issuance of new shares | | | | | | - |
| Cash dividends | | | | | | -964 |
| Net income | | | | | | 40 |
| Purchase of treasury stock | | | | | | -245 |
| Disposal of treasury stock | | | | | | - |
| Retirement of treasury stock | | | | | | - |
| Partial write-back of land revaluation difference | | 155 | 155 | | | - |
| Changes in items other than those in shareholders' equity (net) | -38 | | -38 | -28 | -2 | -69 |
| Total changes in the fiscal year | -38 | 155 | 117 | -28 | -2 | -1,238 |
| Balance at 3/31/2010 | -22 | -1,860 | -1,882 | 11 | 30 | 26,917 |

4. Consolidated Cash Flow Statements

(in millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2010 |
|---|-------------------------------------|-------------------------------------|
| I. Cash flow from operating activities | | |
| Income before income taxes | -1,492 | 89 |
| Depreciation | 656 | 711 |
| Gains or loss on trading account | 4 | -1 |
| Increase or decrease in accrued bonuses for employees | -56 | 56 |
| Increase or decrease in accrued retirement benefits for employees | -22 | 0 |
| Increase or decrease in allowances for doubtful accounts | -82 | 53 |
| Increase or decrease in reserve for Point-Service Campaign | -69 | -125 |
| Increase or decrease in accrued retirement benefits for officers | -15 | 8 |
| Interest and dividend income | -44 | -40 |
| Interest expenses | 15 | 11 |
| Equity in earnings or losses of affiliates | -158 | - |
| Impairment loss | 64 | - |
| Gains or loss on sales of investment securities | -17 | -19 |
| Valuation loss on investment securities | 1 | 23 |
| Gains or loss on sales of fixed assets | - | -9 |
| Loss on write-off of fixed assets | 1 | 20 |
| Loss on liquidation of golf memberships | 7 | 0 |
| Gains on reversal of subscription rights to shares | - | -45 |
| Increase or decrease in reserve for financial instruments transaction liabilities | -48 | -29 |
| Increase or decrease in segregated cash in trust for customers | 1,533 | 180 |
| Increase or decrease in deposits and guarantee deposits received | -74 | -104 |
| Increase or decrease in short-term loans | -2 | 4 |
| Increase or decrease in trading assets | 54 | -14 |
| Net increase or decrease in margin transaction assets and liabilities | 1,489 | -2,402 |
| Increase or decrease in subscription moneys | 3,382 | -4,495 |
| Others | 260 | 551 |
| Sub-total | 5,388 | -5,577 |
| Interest and dividend income | 44 | 41 |
| Interest expenses | -16 | -10 |
| Taxes paid or refunded | -57 | 330 |
| Cash flow from operating activities | 5,358 | -5,215 |
| II. Cash flow from investing activities | | |
| Acquisition of tangible fixed assets | -357 | -141 |
| Sales of tangible fixed assets | - | 29 |
| Acquisition of intangible fixed assets | -112 | -121 |
| Acquisition of investment securities | - | -15 |
| Sales of investment securities | 93 | 106 |
| Purchase of stocks of subsidiaries and affiliates | -55 | -96 |
| Long-term loans | -21 | -48 |
| Collection of long-term loans | 20 | 25 |
| Others | 1 | 51 |
| Cash flow from investing activities | -430 | -210 |
| III. Cash flow from financing activities | | |
| Increase or decrease in short-term borrowings | -172 | - |
| Increase or decrease in Long-term borrowings | 90 | 454 |
| Repayment of long-term loans payable | -30 | -15 |
| Repayments of lease obligations | -1 | 0 |
| Acquisition of Company's Common shares | 0 | -245 |
| Payment of dividends | -1,039 | -961 |
| Cash flow from financing activities | -1,152 | -768 |
| IV. Conversion differences related to cash and cash equivalents | -12 | 56 |
| V. Increase or decrease in cash and cash equivalents | 3,762 | -6,137 |
| VI. Balance of cash and cash equivalents at beginning of the term | 9,156 | 15,294 |
| . Increase in cash and cash equivalents resulting from merger | 227 | - |
| . Balance of cash and cash equivalents at end of the term | 13,146 | 9,156 |

5. Notes to Premises for Continuing Business

None.

6. Notes to Consolidated Financial Statements

The consolidated financial statements for the fiscal year ended March 31, 2011 have been prepared in accordance with the provisions set forth in the “Rules Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements,” issued in 1976 by the Ministry of Finance (hereinafter referred to as the “Rules on Consolidated Financial Statements”), the “Cabinet Office Order Concerning Financial Instruments Trading Business,” issued in 2007 by the Cabinet Office and the “Uniform Accounting Rules Concerning Securities Business,” (self-imposed rules set in 2007 by the Securities Dealers Association of Japan).

While the Consolidated Financial Statements for the fiscal year ended March 31, 2010 were based on the then-effective Rules on Consolidated Financial Statements, the Consolidated Financial Statements for the fiscal year ended March 31, 2011 are based on the Rules on Consolidated Financial Statements as newly amended.

7. Material Matters Essential for Preparation of Consolidated Financial Statements

1. Matters concerning scope of consolidation

(1) Consolidated subsidiaries: 3 companies

Namely:

(i) Ichiyoshi Research Institute Inc.

(ii) Ichiyoshi Investment Management Co., Ltd.

(iii) Ichiyoshi Business Service Co., Ltd.

(2) Non-consolidated subsidiaries: None.

2. Matters concerning application of an equity method

Company to which an equity-method accounting is applied: 1 company (Daihoku Securities Co., Ltd.)

(Note: Iida Securities Co., Ltd. was absorbed by Ichiyoshi by way of merger on January 4, 2011. Hence, it does not exist any longer as an associated company.)

3. Matters concerning fiscal-year account-settlement days of consolidated subsidiaries

The fiscal-year account-settlement days of all consolidated subsidiaries coincide with the consolidated fiscal-year account-settlement day (March 31).

4. Matters concerning accounting treatment standards

(1) Purpose and scope of trading

The Company's trading activities on the floors of securities exchanges are carried out to contribute to the healthy functioning of the market and to the smooth execution of brokerage orders, and the Company's trading activities off the floors are meant to facilitate the formation of fair market prices and to increase liquidity in the market. Through these activities, the Company aims to earn profits and contain losses by taking advantage of price fluctuations and inter-market differences.

The Company's trading instruments on the floors of securities exchanges are listed stocks, bonds with stock warrants (for new shares), stock index futures and options, individual stock options, government bond futures and options, and those off the floors are stocks, bonds, warrants, bond options and forward foreign exchanges.

(2) Recording of trading instruments

Securities and derivatives classified as trading instruments are recorded at market prices.

(3) Recording of non-trading instruments

Securities not classified as trading instruments are recorded in the following manner:

(i) Securities with prices quoted

Market prices adopted on the consolidated balance sheets are based on closing quotations as of the end of the fiscal year, and differences between acquisition costs and valuations at market prices are directly reflected in the net worth account. For securities sold, their costs are computed by the moving average method.

(ii) Securities with no prices quoted

They are recorded at cost determined by the moving average method.

With respect to investments in limited-liability investment partnerships or similar partnerships which can be classified as securities under Article 2-2 of the Financial Instruments and Securities Exchange Law, Ichiyoshi's share of investments in such partnerships is calculated on a net basis, based on the latest financial statements of such investment partnerships readily available under relevant partnership contracts.

(4) Depreciation of material assets

(i) Tangible fixed assets

Buildings (excluding structures attached to buildings):

(a) Buildings acquired on and before March 31, 1998: Old

declining-balance method.

(b) Buildings acquired on and after April 1, 1998 and before April 1, 2007: Old straight-line method.

(c) Buildings acquired on and after April 1, 2007: Current straight-line method.

Fixed assets other than buildings:

(a) Fixed assets acquired on and before March 31, 2007: Old declining-balance method.

(b) Fixed assets acquired on and after April 1, 2007: Current declining-balance method.

Useful lives of some major fixed assets are as follows:

Buildings: 3 to 47 years

Equipment and fixtures: 3 to 20 years

(ii) Intangible fixed assets, investments and other assets

Depreciation of intangible fixed assets, investments and other assets is principally calculated by the straight-line method based on the estimated useful lives of the respective assets. Expenditures relating to costs of computer software for internal use are capitalized as assets and amortized by the straight-line method over a period of five years.

(iii) Leases

Finance leases whose ownership is transferred to the lessee: Not applicable.

Finance leases whose ownership is not transferred to the lessee:

Depreciation is made by a straight-line method over the useful lives equal to lease periods with residual values set at zero.

Finance leases whose ownership is not transferred to the lessee and whose contract date precedes the fiscal year ended March 31, 2009, continue to be accounted for as ordinary operating leases.

(5) Treatment of material deferred assets

New share issue expenses---Fully expensed at the time of payment.

(6) Recording of material reserves and allowances

(i) Allowance for doubtful accounts

To provide against default by debtors, the Company records an amount estimated to be uncollectible:

Ordinary credits --- An uncollectible amount is estimated based on the default-experience rate.

Credits with potential default risk and credits in bankruptcy proceedings
--- An uncollectible amount is estimated based on the Company's analysis of financial assets of debtors.

(ii) Accrued bonuses to employees

To provide for bonus payments to employees, the Company records an amount estimated to have accrued as of the balance sheet date (calculated by a certain method).

(iii) Accrued retirement benefits to employees

To provide for payment of retirement benefits to employees, the Company records an amount estimated to have accrued based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the balance sheet date.

Prior service liability is amortized by the straight-line method over 5 years, which is within the estimated average remaining years of service of the employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, principally by the straight-line method over 8 years, which is within the estimated average remaining years of service of the employees.

(iv) Reserve for Ichiyoshi Point-Service Campaign

To provide for payment for the "Ichiyoshi Point-Service Campaign," the Company records an amount estimated to have accrued as of the balance sheet date on the basis of customers' rate of use in the past.

(v) Accrued retirement benefits to officers of consolidated subsidiaries

The Company records an amount of retirement benefits estimated to have accrued (based on an internal rule) for the payment to officers of consolidated subsidiaries as of the balance sheet date.

(7) Recording of hedging transactions

The Company in principle treats gains or loss resulting from market-price valuation of hedging instruments as assets or liabilities on the balance sheet until gains or loss on transactions for which hedging instruments are utilized are recognized. Interest-rate swaps are subject to a special-rule treatment when they satisfy requirements for the special-rule treatment.

(8) Amortization of goodwill

Goodwill items are amortized by the straight-line method over a period of 5 years, except for small-amount items which are written off in the fiscal year in which

they arise.

(9) Scope of funds in Consolidated Cash Flow Statement

Cash and cash equivalents in the Consolidated Cash Flow Statement consist of cash on hand, current-account deposits, ordinary-account deposits, readily-cashable securities and minimum-price risk short-term investments which mature within 3 months of their purchase.

(10) Other material matters for preparation of consolidated financial statements

Treatment of consumption taxes:

Tax-excluded treatment is chosen both for national and local consumption taxes.

8. Material Changes Essential for Preparation of Consolidated Financial Statements

(1) Material Changes to Accounting Treatment Standards

(i) Application of accounting standards concerning liabilities arising from asset write-off:

Effective from the fiscal year ended March 31, 2011, “Accounting Standards Concerning Liabilities Arising from Asset Write-offs” (Corporate Accounting Standard No.18 of Corporate Accounting Standards Board) and “Application Guidelines on Accounting Standards Concerning Liabilities Arising from Asset Write-offs” (Corporate Accounting Standards Application Guideline No. 21 of Corporate Accounting Standards Board), both published on March 31, 2008, are adopted. This adoption has no effect on the consolidated income statement.

(ii) Application of accounting standards concerning corporate mergers and combinations:

Effective from the fiscal year ended March 31, 2011, 2010, “Accounting Standards Concerning Corporate Mergers and Combinations” (Corporate Accounting Standard No.21 of Corporate Accounting Standards Board), “Accounting Standards Concerning Business Spin-offs” (Corporate Accounting Standard No.7 of Corporate Accounting Standards Board), “Application Guidelines on Accounting Standards Concerning Corporate Mergers and Combinations and Accounting Standards Concerning Business Split-offs” (Corporate Accounting Standards Guideline No.10), and “Accounting Standards Concerning Equity Methods”(Corporate Accounting Standard No.16 of Corporate Accounting Standards Board), all amended as of December 26, 2008), and “Accounting Standards Concerning Consolidated Financial Statements” published on

December 26, 2008, are adopted.

(2) Change to Presentation Method

(Relating to the consolidated income statement)

Effective from the fiscal year ended March 31, 2010, "Cabinet Office Order Amending Part of Rules on Financial Statements" (Cabinet Order No. 5 issued on March 24, 2009) is applied pursuant to "Accounting Standards Relating to Consolidated Financial Statements" (Corporate Accounting Standard No.22 issued on December 26, 2008). Hence, income before minority interests is presented on the consolidated income statement.

9. Notes to Consolidated Financial Statements

[Notes to Consolidated Balance Sheets]

(1) Cumulative amount of depreciation of tangible fixed assets: (in millions of yen)

| | --- As of March 31 --- | |
|-----------------------------------|------------------------|-------|
| | 2011 | 2010 |
| | ----- | ----- |
| Cumulative amount of depreciation | 4,870 | 4,519 |

(2) Reserve under a special law:

Reserve for financial instruments transaction liabilities is based on Article 46-5 of the Financial Instruments and Securities Exchange Law.

(3) Land revaluation:

Effective on March 31, 2000, the Company revalued its land held for business purposes in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As of March 31, 2011, an amount of 1,860 million yen (negative) was recorded under net worth as "Difference on land revaluation." The method followed for this land revaluation was determined in accordance with the "Land Valuation Tax Law" as stipulated in the "Enforcement Law Concerning Land Revaluation" and other regulations.

The difference between the book value and its market value at March 31, 2011 amounted to 294 million yen (negative).

(4) Associated subsidiary:

Investment securities (stocks): 55 million yen

[Notes to Consolidated Income Statements]

Impairment loss:

In the fiscal year ended March 31, 2011, the Company and its group companies recorded impairment loss in the following asset groups: (in millions of yen)

| Location | Use of asset | Building | Equipment & Fixture | Total |
|-------------------------------|-----------------|----------|---------------------|-------|
| Koshigaya City, Saitama Pref. | Business branch | 8 | 3 | 12 |
| Nara City, Nara Pref. | Business branch | 25 | 3 | 28 |
| Okazaki City, Aich Pref. | Business branch | 5 | 2 | 7 |
| Tanabe City, Wakayama Pref. | Business branch | 12 | 3 | 15 |
| Total | | 51 | 13 | 64 |

[Notes to Comprehensive Income Statements]

Comprehensive income for the fiscal year ended March 31, 2010:

Comprehensive income attributable to shareholders of the parent company: 2 million yen

Comprehensive income attributable to minority interests: - 2 million yen

Total - 0 million yen

Other comprehensive income for the fiscal year ended March 31, 2010:

Other securities valuation difference: - 38 million yen

Point of note: Effective from the fiscal year ended March 31, 2011, "Accounting Standards Concerning Presentation of Comprehensive Income (Corporate Accounting Standard No. 25, dated June 30, 2010) is applied.

[Notes to Consolidated Statement of Shareholders' Equity]

For the fiscal year ended March 31, 2011:

1. Issued shares:

| Kind of shares | No. of issued shares as at March 31, 2011 | No. of shares newly issued | No. of shares retired | No. of issued shares as at March 31, 2010 |
|----------------|---|-------------------------------|--------------------------|---|
| Common shares | 44,431,386 | -- | -- | 44,431,386 |

2. Treasury shares:

| Kind of shares | No. of treasury shares as at March 31, 2011 | No. of shares increased | No. of shares reduced | No. of treasury shares as at March 31, 2010 |
|----------------|---|-------------------------|-----------------------|---|
| Common shares | 503,881 | 13,108* | 532,288** | 1,023,061 |

*= (a) Buyback of odd-lot shares (shares less than a voting unit of 100 shares): 108 shares

(b) Treasury shares acquired by the associated company and deemed to be treasury shares of the Company by an equity method: 13,000 shares.

**= Allocated to shareholders of the absorbed companies: 532,288 shares.

3. Issuance of warrants for new shares:

| Purpose of warrants | Kind of shares | --- No. of shares issuable for warrants --- | | | | Value outstand- |
|---------------------|-----------------------|---|----------|----------|------------------------------------|-------------------------------|
| | Issuable for warrants | As at March 31, 2010 | Increase | Decrease | Outstand- ing as at March 31, 2011 | standing as at March 31, 2011 |
| For stock options | --- | --- | --- | --- | --- | 33 million yen |
| Total | --- | --- | --- | --- | --- | 33 million yen |

(Note: Exercise period has not yet started for stock options.

4. Dividends:

(1) Amount of dividends paid:

| Date of Board of Directors' resolution | Kind of shares | Total amount of dividends | Dividend per share | Record date | Payment date |
|--|----------------|---------------------------|--------------------|----------------|---------------|
| May 18, 2010 | Common shares | 520 million yen | 12.00 yen | March 31, 2010 | May 31, 2010 |
| Oct. 28, 2010 | Common shares | 522 million yen | 12.00 yen | Sept. 30, 2010 | Nov. 25, 2010 |

- (2) Dividends whose record date is March 31, 2011 and whose payment date comes after March 31, 2011:

| Date of Board of Directors' resolution | Kind of shares | Fund source of dividends | Total amount of dividends | Dividend per share | Record date | Payment date |
|--|----------------|--------------------------|---------------------------|--------------------|----------------|--------------|
| May 17, 2011 (Scheduled) | Common shares | Retained earnings | 527 million yen | 12.00 yen | March 31, 2011 | May 30, 2011 |

[Notes to Consolidated Cash Flow Statement]

The balance of cash and cash equivalents in the Consolidate Cash Flow Statement as of March 31, 2011 and as of March 31, 2010 as reflected on corresponding items in the Consolidated Balance Sheets as of March 31, 2011 and as of March 31, 2010: (in millions of yen)

| | --- As of March 31 --- | |
|-------------------------------------|------------------------|-------|
| | 2011 | 2010 |
| Cash and deposits | 13,199 | 9,226 |
| Time deposits with maturity over | | |
| three months | - 160 | - 178 |
| MMF | 108 | 108 |
| Cash and cash equivalents (balance) | 13,146 | 9,156 |

[Segment Information]

1. Segment information by business category

For the fiscal year ended March 31, 2010, "Investment and Financial Services" accounted for more than 90% of the Company's operating revenue, operating income and total assets, respectively. Therefore, the Company omits description on segment information by business category.

2. Segment information by geography

For the fiscal year ended March 31, 2010, more than 90% of the Company's operating revenue was derived from domestic sources. Therefore, the Company

omits description on segment information by geography.

3. Overseas sales (operating revenue)

For the fiscal year ended March 31, 2010, the Company's overseas operating revenue accounted for less than 10% of total operating revenue. Therefore, the Company omits description on overseas sales.

4. Segment information

For the fiscal year ended March 31, 2011, the Company omits segment information since its business line is a single segment of "Investment and Financial Services."

5. Relevant information

For the fiscal year ended March 31, 2011:

(1) Information by products and services:

Investment and Financial Services-related revenue from the Company's customers accounted for more than 90% of operating revenue on the consolidated income statement. Hence, no information by products and services.

(2) Information by geography:

(a) Sales (operating revenue):

Operating revenue arising from domestic customers accounted for more than 90% of operating revenue on the consolidated income statement. Hence, no information on sales by geography.

(b) Tangible fixed assets:

There is no tangible fixed assets outside Japan. Hence, no information on tangible assets by geography.

Point of note: Effective the fiscal year ended March 31, 2011, "Accounting Standards Concerning Disclosure of Segment Information" (Corporate Accounting Standard No. 17, dated March 27, 2009) and "Application Guidelines on Application Standards Concerning Segment Information" (Corporate Accounting Standard Application Guideline No. 20, dated March 21, 2008) are applied.

[Per-share Data]

| | --- Fiscal year ended --- | |
|---|---------------------------|----------------|
| | March 31, 2011 | March 31, 2010 |
| Per-share net worth | 560.19yen | 619.13yen |
| Per-share net income | - 36.12yen | 0.93yen |
| Per-share net income on a diluted basis (adjusted for shares potentially issuable) | -- | -- |

Note: Per-share net income on a diluted basis is not calculated since net income is negative and there are no potentially-issuable shares having any diluting effect on the per-share net income.

Basis for computation of per-share data:

(1) For per-share net worth:

| | --- As of --- | |
|---|--------------------|--------------------|
| | March 31, 2011 | March 31, 2010 |
| Net worth (on Consolidated Balance Sheet) | 24,672 million yen | 26,917 million yen |
| Net worth attributable to common stock | 24,607 million yen | 26,875 million yen |
| Difference: | | |
| Related to stock options | 33 million yen | 11 million yen |
| Related to minority interests | 31million yen | 30million yen |
| Number of issued shares of common stock | 44,431 thousand | 44,431 thousand |
| Number of treasury shares | 503 thousand | 1,023 thousand |
| Number of shares used for computation of per-share net worth | 43,927 thousand | 43,408 thousand |

(2) For per-share net income before/after adjustment for shares potentially issuable:

| | --- Fiscal year ended --- | |
|---|---------------------------|-----------------|
| | March 31, 2011 | March 31, 2010 |
| Net income (on Consolidated Income Statement) | - 1,575 million yen | 40 million yen |
| Net income attributable to common stock | - 1,575 million yen | 40 million yen |
| Net income not attributable to common stock | -- | -- |
| Average number of outstanding common shares during the fiscal year | 43,615 thousand | 43,814 thousand |
| Amount of adjustment for net income | -- | -- |

Potentially issuable shares:

New shares issuable upon exercise of
stock warrants

--

--

Number of common shares increased

--

--

Potentially-issuable shares not included

for computation of diluted per-share net income
due to their non-effect on per-share net income

New shares issuable
upon exercise of stock
options: 281,400
shares issuable
upon exercise of 2,814
stock options, which
were authorized at
the shareholders'
meeting on June
20, 2009).

New shares issuable
upon exercise of stock
options: (i) 39,000
shares issuable
upon exercise of 390
stock options, which
were authorized at
the shareholders'
meeting on June
25, 2005; (ii) 285,600
shares issuable
upon exercise of
2,856 stock options,
which were author-
ized at the share-
holders' meeting on
June 20, 2009.

[Material Subsequent Events after March 31, 2011]

None.

V. Supplemental Information

Supplemental information on consolidated business result for fiscal year ended March 31, 2011:

1. Commissions

(1) Commissions by sources (in millions of yen)

| | --- Fiscal year ended --- | | (A) over (B) |
|--|---------------------------|-----------------------|--------------|
| | March 31, 2011 (A) | March 31, 2010 (B) | (%) |
| Brokerage commissions | 4,245 | 5,128 | - 17.2% |
| (Stocks) | (4,225) | (5,068) | (-16..6) |
| (Bonds) | (2) | (5) | (- 49.0) |
| Commissions from underwriting and solicitation to specified investors | 44 | 143 | - 68.8 |
| (Stocks) | (44) | (143) | (- 68.8) |
| (Bonds) | (-) | (-) | (-) |
| Commissions from distribution and solicitation to specified investors | 2,660 | 3,736 | - 28.8 |
| (Beneficiary certificates) | (2,654) | (3,731) | (- 28.9) |
| Commissions from other sources | 4,616 | 4,903 | - 5.9 |
| (Beneficiary certificates) | (4,192) | (4,251) | (- 1.4) |
| Total | 11,567 | 13,912 | - 16.9 |

(2) Commissions by products (in millions of yen)

| | --- Fiscal year ended --- | | (A) over (B) |
|--------------------------|---------------------------|-----------------------|--------------|
| | March 31, 2011 (A) | March 31, 2010 (B) | (%) |
| Stocks | 4,292 | 5,238 | - 18.1 |
| Bonds | 12 | 15 | - 21.7 |
| Beneficiary certificates | 6,863 | 8,037 | - 14.6 |
| Others | 398 | 620 | - 35.7 |
| Total | 11,567 | 13,912 | - 16.9 |

(3) Gains or loss on trading (in millions of yen)

| | --- Fiscal year ended --- | | (A) over (B) |
|-------------------------------|---------------------------|----------------|--------------|
| | March 31, 2011 | March 31, 2010 | |
| | (A) | (B) | (%) |
| <hr/> | | | |
| Stocks, etc. | 274 | 455 | - 39.8 |
| Bonds, foreign exchange, etc. | 308 | 478 | - 35.5 |
| (Bonds, etc.) | (232) | (505) | (- 54.0) |
| (Foreign exchange, etc.) | (76) | (- 26) | (- -) |
| <hr/> | | | |
| Total | 583 | 934 | - 37.6 |
| <hr/> | | | |

3 . Quarterly Consolidated Income Statements for Recent Eight Quarters (in millions of yen)

| | 1st Q (4-6/09) | 2nd Q (7-9/09) | 3rd Q (10-12/09) | 4th Q (1-3/10) | 1st Q (4-6/10) | 2nd Q (7-9/10) | 3rd Q (10-12/10) | 4th Q (1-3/11) |
|--|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Operating revenue | 4,150 | 4,005 | 3,760 | 3,827 | 3,510 | 2,590 | 3,098 | 3,901 |
| Commissions | 3,671 | 3,572 | 3,303 | 3,363 | 3,042 | 2,281 | 2,696 | 3,547 |
| Gains or loss on trading | 258 | 214 | 235 | 226 | 217 | 80 | 183 | 102 |
| Interest and dividend income | 61 | 68 | 64 | 57 | 62 | 46 | 32 | 35 |
| Other operating revenue | 158 | 149 | 157 | 180 | 188 | 181 | 186 | 216 |
| Interest expenses | 24 | 21 | 20 | 17 | 20 | 11 | 11 | 14 |
| Net operating revenue | 4,126 | 3,984 | 3,740 | 3,810 | 3,490 | 2,579 | 3,087 | 3,887 |
| Operating cost and expenses | 4,036 | 3,902 | 3,793 | 3,695 | 3,758 | 3,490 | 3,569 | 3,838 |
| Transaction-related expenses | 408 | 401 | 378 | 275 | 354 | 356 | 341 | 360 |
| Personnel expenses | 2,248 | 2,174 | 2,083 | 2,073 | 2,066 | 1,869 | 1,943 | 2,057 |
| Property-related expenses | 444 | 446 | 429 | 437 | 432 | 424 | 420 | 471 |
| Clerical expenses | 551 | 516 | 529 | 545 | 563 | 508 | 523 | 588 |
| Depreciation | 176 | 177 | 175 | 182 | 158 | 162 | 166 | 169 |
| Public charges | 41 | 44 | 43 | 42 | 36 | 33 | 35 | 41 |
| Reversal of allowances for doubtful accounts | 1 | - 0 | - 1 | - 0 | - | 0 | - 0 | - |
| Others | 164 | 141 | 155 | 137 | 146 | 133 | 138 | 150 |
| Operating income | 89 | 81 | -53 | 115 | -267 | -910 | -482 | 48 |
| Non-operating income | 38 | 29 | 12 | 10 | 23 | 9 | 183 | -1 |
| Non-operating expenses | 0 | 99 | 1 | 81 | 2 | 63 | 6 | 28 |
| Current income | 127 | 12 | -42 | 43 | -246 | -964 | -305 | 18 |
| Extraordinary income | 31 | 51 | 21 | 4 | 62 | 1 | 8 | 34 |
| Extraordinary expenses | 50 | 27 | 75 | 6 | 3 | 9 | 0 | 86 |
| Income before income taxes | 107 | 36 | -96 | 42 | -187 | -973 | -297 | -33 |
| Income, inhabitant and enterprise taxes | 10 | 16 | 10 | 18 | 10 | 16 | 14 | 33 |
| Income taxes adjustments | 0 | -3 | 1 | -3 | 13 | -1 | 0 | -4 |
| Income before minority interests | - | - | - | - | -211 | -988 | -312 | -62 |
| Minority interests | -1 | - 0 | - 0 | - 0 | - 1 | 1 | 1 | 0 |
| Net income | 98 | 23 | -108 | 27 | -209 | -989 | -313 | -62 |

(END)