

FINANCIAL INFORMATION

For Fiscal Year Ended March 31, 2010
(Consolidated and Non-Consolidated)

KYOKUTO SECURITIES CO., LTD.

This English version is referential translation of the substantial part of the original Japanese text of the Summary Report on the Business Results for the Fiscal Year Ended March 31, 2010, and is not legally accurate translation. The original Japanese text will prevail in any difference regarding their meanings. The Kyokuto Securities Co., Ltd. does not guarantee the accuracy and/or the completeness of the translation and shall have no liability for any errors or omissions therein.

BUSINESS RESULTS FOR FISCAL YEAR ENDED MARCH 31, 2010Name of listed company: **Kyokuto Securities Co., Ltd.** (URL: <http://www.kyokuto-sec.co.jp>)

Listed stock exchange: First Section, Tokyo Stock Exchange Stock code number: 8706

Company's representative: Hiroyuki KIKUCHI, President and Chief Executive Officer

Contact person: Masao TAKAMORI, Senior Executive Officer

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Scheduled date of annual meeting of shareholders: June 29, 2010

Scheduled date of commencement of payment of dividends: June 8, 2010

Scheduled date of filing of securities report: June 30, 2010

1. Consolidated Results for Fiscal Year Ended March 31, 2010 (Year from April 1, 2009 to March 31, 2010)**(1) Consolidated business results** (Millions of yen with fractions less than a million yen discarded)

(The figures in the parenthesis are percentage increase/decrease from the previous fiscal year)

	FY ended March 31, 2009	FY ended March 31, 2010
Operating income	4,962 (−46.1)	15,297 (208.3)
Net operating income	4,734 (−47.2)	15,087 (218.7)
Operating profit	−998 (−)	7,212 (−)
Ordinary profit	−821 (−)	7,521 (−)
Net profit	−1,447 (−)	3,806 (−)
Earnings per share	−45.33 yen	119.34 yen
Earnings per share (diluted)	−	−
Return on equity (ROE)	−4.9%	12.7%
Return on Assets	−1.4%	14.4%
Gross Profit Margin	−20.1%	47.1%

(Notes) Investment profit or loss on equity method: FY ended March 2009: None.

FY ended March 2010: None.

(2) Consolidated financial condition

	FY ended March 31, 2009	FY ended March 31, 2010
Total assets (Millions of Yen)	50,055 million yen	54,153 million yen
Net assets (Millions of Yen)	28,725 million yen	31,473 million yen
Shareholders' equity ratio	56.8%	58.1%
Net assets per share	890.69 yen	986.68 yen

(Notes) Shareholders' equity: FY ended March 2009: 28,411 million yen

FY ended March 2010: 31,473 million yen

(3) Consolidated cash flows

(Millions of yen)

	FY ended March 31, 2009	FY ended March 31, 2010
Cash flow from operating activities	2,818	8,441
Cash flow from investing activities	500	−217
Cash flow from financing activities	−4,359	−1,674
Cash & Cash equivalents balance	5,098	11,634

2. Matters Concerning Dividends

Record date	Dividends per share					Total amount of annual dividends	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of Period	Annual Total			
FY 2008	—	¥10.00	—	¥10.00	¥20.00	¥ 637 million	—	2.2%
FY 2009	—	¥17.00	—	¥43.00	¥60.00	¥1,913 million	50.3%	6.4%
FY 2010 (Forecast)	—	—	—	—	—	—	—	—

3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2011

(Year from April 1, 2010 to March 31, 2011)

The Kyokuto group's operating income consists mainly of commission revenue and gain/loss on principal trading, and substantial part of its income comes from business activities in the equity and fixed income securities markets. The amount of income we earned from our business in the equity market accounted for 21.4% (5.4% as commissions and 16.0% as gains on trading) and 31.3% (20.9% as commissions and 10.4% as gains on trading) of net operating income in the fiscal years ended March 2010 and 2009, respectively. Similarly, 67.0% and 27.8% of net operating income in the two fiscal years, respectively were derived from our business activity in the bond market. While we have endeavored to make our revenue structure resilient to market changes by diversifying revenue sources such as those from investment banking business, our operating income is still susceptible to trends of the securities markets, and thus may fluctuate unexpectedly, depending on the market situation. In addition, we have, while adhering to a business model of face-to-face consultation, offered varied financial products in response to the evolving needs of customers. In this course of business, we at times take relatively heavy positions of foreign currency-denominated fixed-income securities, exposing ourselves to risk of recording large amount of unrealized gains or loss that may be caused by unexpected, sudden changes in foreign exchange markets.

Movement of securities markets and foreign exchange markets is influenced by various factors, including, among others, overseas and/or domestic political or economic developments, corporate performance, interest rates, fiscal policy changes and so forth. Accordingly, in order to predict the group's future business results, we need to grasp future movements of the markets by properly foreseeing these factors—that can hardly be done. In addition, as for investment banking business, it is almost impossible for us to predict every future business opportunity. We believe that disclosing earnings forecast in such circumstance where there is a high probability that the forecast sharply deviates from the actual outcome due to many uncertain factors may well result in sending a wrong message to the market, thereby causing adverse influence on investment judgment of investors and shareholders to the ultimate detriment of fair price discovery.

For the reasons mentioned in the above, we refrain from disclosing earnings forecast and instead, we will endeavor to disclose actual business results as early as possible. We will disclose preliminary consolidated results by around tenth business day following the end of each fiscal year or quarter, by which business result figures are expected to be available.

4. Other

(1) Changes in important subsidiary companies (i.e., changes in scope of consolidation)

In the period, no company was added to or removed from the scope of full consolidation or partial consolidation under the equity method. (Please see page 8 “State of Kyokuto Securities Group”.)

(2) **Changes in accounting principles, procedures or itemization** (i.e., those stated in “Changes in important policies for preparation of consolidated financial statements”)

(a) **Any change(s) caused by amendments to accounting standards:** None.

(b) **Any change(s) other than (a):** None.

(3) **Number of shares outstanding** (common stock)

(a) **Number of shares outstanding** (including treasury shares)

March 31, 2009: 32,779,000

March 31, 2010: 32,779,000

(b) **Number of treasury shares**

March 31, 2009: 880,644

March 31, 2010: 880,749

[Please see page 25 “Per share data” for the number of shares used for computation of earnings per share (consolidated basis).]

(Referential Information)

1. Non-Consolidated Results for Fiscal Year Ended March 31, 2010 (Year from April 1, 2009 to March 31, 2010)

(1) **Non-consolidated business results** (Millions of yen with fractions less than a million yen discarded)

(The figures in the parenthesis are percentage increase/decrease from the previous fiscal year)

	FY ended March 31, 2009		FY ended March 31, 2010	
Operating income	4,688	(-47.0)	15,227	(224.8)
Net operating income	4,461	(-48.2)	15,017	(236.6)
Operating profit	-1,191	(-)	6,997	(-)
Ordinary profit	-828	(-)	7,479	(-)
Net profit	-1,458	(-)	2,964	(-)
Earnings per share	-45.67 yen		92.93 yen	
Earnings per share (diluted)	-		-	

(2) **Non-consolidated financial condition**

	FY ended March 31, 2009	FY ended March 31, 2010
Total assets (Millions of Yen)	48,626 million yen	52,238 million yen
Net assets (Millions of Yen)	27,705 million yen	29,924 million yen
Shareholders' equity ratio	57.0%	57.3%
Net assets per share	868.55 yen	938.13 yen
Net capital regulation ratio	284.2%	322.7%

(Notes) Shareholders' equity: FY ended March 2009: 27,705 million yen

FY ended March 2010: 29,924 million yen

I. BUSINESS RESULTS

1. Business Results (Summary)

During the fiscal year ended March 31, 2010 (from April 1, 2009 to March 31, 2010. Hereinafter called the “period”), the Japanese economy showed a sluggish recovery. Exports and production increased, while private investment and housing investment bottomed out, reflecting improvements in the global economy. On the other hand, consumer spending remained weak and public investment slowed down, making a pace of the economic recovery quite slow.

The stock market continued to be strong against the background of growing expectations of a bottoming out of the economy, with occasional declines due mainly to a rise in the yen against other currencies. In the domestic bond market, the long-term interest rate moved back and forth, reflecting the tug of war between concerns over fiscal deterioration of the Japanese government and increasing fear of deflationary pressures, and then remained stable toward the end of the period. In the currency market, while the Japanese yen remained strong in most part of the period due to the surging US government deficit and low interest rates, and concerns over Greek government deficit and thus Euro, it started softening against other currencies toward the end of the period reflecting a rise in the US long-term interest rate and expectations of recovery in the world’s economy.

In this environment, we kept endeavoring to offer “in-season financial products” based on our “Face to Face” business model, in response to customers’ varied needs. In addition, we strived to promote our investment banking business. These efforts resulted in good performance for the period. Income from equity-related business jumped, thanks to robust sales of foreign convertible bonds to customers. Also, gains on bond trading turned to be strong due chiefly to recovery of customers’ risk taking attitude, bettering bond position value, and successful bond transactions relating to our investment banking business.

The group’s consolidated earnings for the period sharply grew from the corresponding previous period, with operating income jumping 208.3% to 15,297 million yen, and net operating income expanding 218.7% to 15,087 million yen, resulting in ordinary profit of 7,521 million yen (ordinary loss of 821 million yen for the corresponding previous period) and net profit of 3,806 million yen (net loss of 1,447 million yen for the corresponding previous period).

Details of the period’s results are as follows:

(1) Commission Revenue

The total commission revenue for the period decreased 8.3% to 1,820 million yen, as shown in below:

(a) Brokerage commissions

We earned 806 million yen (down 16.3%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities reached 813 million yen (down 16.4%).

(b) Fees for underwriting, selling and sales solicitation to professional investors

Fees for underwriting, selling and sales solicitation to professional investors amounted to as low as 2 million yen (down 85.6%), due to very limited number of business opportunities.

(c) Fees for handling of offering, selling and sales solicitation to professional investors

Fee revenues from handling of offering, selling and sales solicitation to professional investors grew 52.9% to 417 million yen, thanks to an increase in sales volume of investment trusts.

(d) Other fees

Other fees consisting mainly of service fees pertaining to investment banking business amounted to 586 million yen (down 19.0%).

(2) Gains/Loss on Trading

Gains on trading in equity-related securities surged 386.2% to 2,406 million yen, thanks to robust sales of foreign convertible bonds to customers, while gains on bond trading swelled 680.9% to 10,105 million yen, reflecting recovery of sales of foreign currency-denominated fixed-income securities and bettering position value against the background of rising stock price and softening Japanese yen; also, successful bond transactions relating to our investment banking business contributed to a sharp increase in these gains. Subtracting loss of 62 million yen (loss of 161 million yen for the corresponding previous period) on other trading, the total gains jumped 665.0% to 12,449 million yen.

(3) Gains/Loss on Private Equity and Other Securities

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded a loss of 184 million yen (a gain of 95 million yen for the corresponding previous period) on private equity and other securities.

(4) Interest and Dividend Income

The period's net interest and dividend income amounted to 747 million yen (down 11.8%).

(5) Other Operating Income

Other operating income consisting mostly of rent on real estate and fees earned by our two consolidated subsidiaries totaled 254 million yen (up 43.3%).

(6) Operating Expenses

Operating expenses for the period increased 37.4% to 7,874 million yen due to payment of a one-time, large amount of transaction-related expense with respect to investment banking business.

(7) Non-operating Income/Expenses

Non-operating income for the period consisting mainly of dividends on investment securities totaled 326 million yen (up 15.5%), while non-operating expense amounted to 17 million yen (down 83.4%). As a result, net non-operating profit amounted to 309 million yen (up 74.6%).

(8) Extraordinary Profits/Loss

We realized extraordinary profit of 21 million yen (down 95.7%), of which 10 million yen came from liquidation of financial instruments trading liability reserve. The amount of extraordinary loss, on the other hand, amounted to 1,688 million yen (up 130.0%), reflecting our positive realization of impairment loss on assets related to the real-estate securitization business. Consequently, we recorded a net extraordinary loss of 1,667 million yen (a net loss of 221 million yen for the corresponding previous period).

2. Financial Condition

(1) Assets

The total assets as of March 31, 2010 increased 4,097 million yen to 54,153 million yen from 50,055 million yen as of March 31, 2009. Current assets increased 4,584 million yen to 43,819 million yen from 39,235 million yen, reflecting an increase in cash and bank deposits which rose 6,535 million yen to 11,634 million yen from 5,098 million yen and a decrease in trading assets which shrank 3,257 million yen to 11,119 million yen from 14,377 million yen. Fixed assets lessened 486 million yen to 10,334 million yen from 10,820 million yen, due mainly to a decrease in investment securities which shrank 429 million yen to 6,955 million yen from 7,384 million yen.

(2) Liabilities

The total liabilities as of March 31, 2010 increased 1,349 million yen to 22,680 million yen from 21,330 million yen as of March 31, 2009. Current liabilities increased 4,608 million yen to 21,795 million yen from 17,187 million yen, reflecting an increase in accrued income taxes which climbed 2,342 million yen to 2,391 yen from 49 million yen and an increase in short-term borrowings which rose 2,197 million yen to 10,754 million yen from 8,557 million yen. Fixed liabilities shrank 3,248 million yen to 858 million yen from 4,106 million yen, due mainly to a decrease in long-term borrowings which diminished 3,014 million yen to zero.

(3) Net Assets

Net assets as of March 31, 2010 grew 2,747 million yen to 31,473 million yen from 28,725 million yen as of March 31, 2009, thanks to an increase in retained earnings which rose 2,945 million yen to 22,142 million yen from 19,196 million yen.

(4) Cash Flow

During the period, net cash provided by operating activities amounted to 8,441 million yen, due mainly to a decrease in trading assets. Net cash used in investing activities amounted to 217 million yen, reflecting purchase of investment securities. Net cash used in financing activities amounted to 1,674 million yen, due mainly to a decrease in long-term borrowings. As a result, the

amount of cash and cash equivalents increased 6,535 million yen from the previous period to 11,634 million yen as of the end of the period.

3. Dividend Payout Policy and Amount of Dividends for the Period

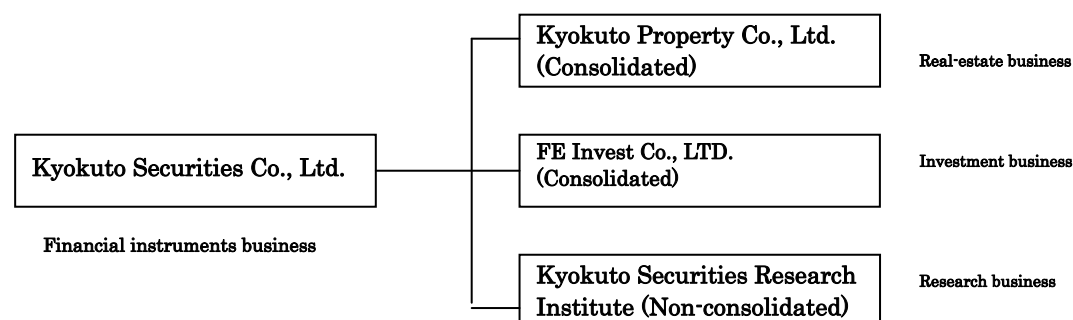
We have maintained as one of our important policies that we will achieve higher distribution of returns to shareholders in order to help attain higher shareholder value. Toward this end, we have adopted a performance-linked dividend policy with the consolidated dividend payout ratio being at 50% or more. At the same time, in response to expectations of shareholders who may well wish to enjoy stable dividends, we have maintained a target DOE (dividends on equity) ratio of 2% or more. It has been our policy to pay such amount of dividends computed by the two methods whichever is higher.

Pursuant to the payout policy, we have decided to pay to shareholders year-end dividends of 43 yen per share (or total annual dividends of 60 yen).

II. STATE OF KYOKUTO SECURITIES GROUP

The Kyokuto Securities Group (“Group”) consists of the Kyokuto Securities Co., Ltd. (“Company”) and its two consolidated and one non-consolidated subsidiaries. The Group’s income comes mainly from securities business including, among other things, agency/principal trading in securities, underwriting, offering and selling of securities and provision of other securities-related services, through which the company offers a wide range of financial and other related services. Accordingly, the Group’s business activities come under the single business segment—the “investment/financial services business”.

Kyokuto Securities Group



III. BUSINESS POLICY

1. Basic Business Policy

Since its foundation, the Group has kept it as its basic business policy to attain stable growth by adhering to a sound financial base and restoring confidence of customers through face to face business model under its guiding principle—“Credibility forms the base of all business.” We are certain that our business model best suits to the changing environment of “shift from saving to investment” that has been pushed forward under a concerted effort by the government and the private sector. Under our brand slogan--“Let us help you grow your important assets!”--we provide customers with unique products and information and services of high quality and solicits investments by taking due care with respect to suitability and compliance, by which to command higher customer satisfaction and credibility of customers. We will keep endeavoring to respond to the rapidly changing environments and seek better business opportunities toward a sounder business base and higher shareholder value.

2. Benchmark for Performance Assessment

The Group’s basic business policy is to attain stable growth by diversifying revenue sources and expanding into new lines of business in response to the changing environments. We will endeavor to further improve business performance to achieve higher ROE (return on equity) on a consolidated basis.

3. Medium/Long Term Business Strategies

We believe that a “shift from saving to investment” will continue from a medium- and long-term perspective, encouraging people to shift their financial assets from the traditional bank or postal deposits to the securities markets. A regulatory environment has also changed: With the Financial Instruments and Exchange Act becoming effective, we have been required to strengthen our compliance system mainly for stronger protection of investors. In addition, we are expected to do business under higher ethical standards. All of these require us to pursue more investor-friendly business conducts. We believe that now is the time when we can make the most of our traditional business model— “face to face consultation” that enables us to build stronger ties with customers by providing them with useful information and full explanation that are easy to understand. By taking advantage of the environmental changes, we will strive to increase shareholder value through maintaining diversified revenue structure and reinforcing management/administrative structure under the following business strategies:

(1) Differentiation by offering varied, unique products

Diversified, unique product lines are one of the important factors of our strategy of differentiation from other firms. Our strength lies in our ability to provide diverse financial products including, among other things, various types of fixed income securities denominated in varied currencies. We have been able to be the quickest of all in offering financial products “in season”, thanks to our strong know-how and effective liaison with overseas banks/firms. We will continue to enhance our ability to provide products and information by making the most of the strength.

(2) Enhancement of revenue structure of retail sector by pursuing face to face business model

We have differentiated ourselves from other firms by providing customers with investment advice and varied products in response to market changes, according to their individual needs, risk tolerance and size of assets.

We will offer high-quality services that meet varied needs of customers, by (a) enhancing our ability to provide diversified product lines being abreast of the market, that are directly connected with investment results, and (b) bettering our consulting/advisory services concerning market conditions, fiscal/financial matters, etc. This would lead to a wider customer base and expansion of customers’ assets in our custody.

(3) Enhancement of solid, diversified revenue structure

We separated our investment banking division from the wholesale sector in April 2009 to promote it as an independent sector. While investment banking business currently seems to be placed in an opaque market environment, we believe that the business will be a strong revenue source from the medium- and long-term perspective. We will continue seeking wider profit opportunities under adequate risk control.

(4) Strengthening of principal trading sector

At the Equity Trading Division, we will endeavor to reinforce the team of dealers with varied dealing strategies, toward enhancement of our equity principal trading.

At the Debt Market Division, on the other hand, we will keep responding to the changing needs of customers by constantly reviewing our product lines to support the face to face consulting services offered to our customers by both retail and wholesale sectors. Also, we, by utilizing our own capital and also paying due attention to risk controls, will keep maintaining diversified portfolios of fixed-income securities to help assure stable sources of financial revenues and capital gains.

4. Challenges Ahead

With a concerted effort by the government and the private sector to facilitate a “shift from saving to investment”, a base of securities business is expected to expand in the long run. We will catch this tide firmly toward further growth while contributing to enlarging the base of individual investors who are willing to participate in the securities markets. To this end, we will tackle the following challenges:

(1) Pursuit of “Face to Face” business model

To differentiate ourselves from online firms and other medium-sized firms, we need to contribute fully to higher returns on customers’ investments by, based on diversified product lines being abreast of the markets, giving them timely and appropriate investment advice in accordance with market changes.

We will continue to make an effort to strengthen customers’ credibility by improving our thorough, friendly consulting/advisory services and enhancing our ability to offer diverse financial products, which will lead to enlargement of a base of “Kyokuto fans”. Also as a part of our effort to enhance our communication with customers, we intend to enrich the contents of our internet home pages for the convenience of our customers seeking investment information.

(2) Enhancement of revenue structure

To enlarge our customer base and to expand customers’ assets in our custody—these are our retail sector’s major challenging issues for maintaining our sound revenue structure and resiliency. We are certain that we can attain these challenges by offering customer-friendly services and “in-season financial products” to command customers’ confidence, as evidenced by the fact that around 50% of our new customers have been acquired on referrals from our existing customers.

(3) Efficient use of capital to increase shareholder value under proper risk control

In view of efficient use of shareholders' equity, we have sought to attain effective financial management under proper risk control. We are certain that our positive financial management is essential for one of our important objectives—higher shareholder value. We will keep pursuing efficient use of our capital under more adequate risk control than before toward higher shareholder value, while responding quickly to changing environments and seeking new profit opportunities that will contribute to our resiliency.

(4) Improvement of employee capabilities and skills

To help assure higher revenue under the face to face business model and by expanding into new lines of business, it is critically important to improve varied capabilities and skills of employees and also to hire capable persons.

Toward this end we will continue bettering the employee performance evaluation system, supporting employees' acquisition of publicly-authorized qualification, and increasing the quality of our education and training programs for employees in such thought that deeper employee satisfaction leads to higher customer satisfaction. Also, we will flexibly employ/allocate capable persons for profit-generating sectors, by which to maintain the Company's vitality.

(5) Cost cuts

We have kept adhering to cost cuts to build further efficient operational base, with even more drastic cost cut efforts. We will continue seeking every cost-cutting measure toward higher return.

(6) Enhancement of compliance and internal controls

We will keep endeavoring to enhance the existing compliance program and internal control systems.

IV. CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Assets		
Current assets:		
Cash and bank deposits	5,098	11,634
Segregated cash and statutory deposits	5,157	6,502
Trading assets	14,377	11,119
Securities inventory	14,377	11,116
Derivative contracts	—	3
Net receivables pertaining to contracts to be settled	—	227
Private equity and other securities	9,561	8,456
Assets pertaining to margin transactions	3,646	4,824
Loans to customers on margin transactions	2,345	4,054
Cash collateral to finance companies for securities borrowed	1,300	770
Receivables from other firms and customers	7	4
Short-term guarantee deposits	72	94
Accrued income	257	215
Deferred tax assets	387	392
Other current assets	671	349
Provision for doubtful debts	—2	—2
Total current assets	39,235	43,819
Fixed assets:		
Tangible fixed assets	2,438	2,417
Buildings	685	627
Fixtures and equipment	271	309
Land	1,481	1,481
Intangible fixed assets	78	67
Computer software	47	36
Telephone line subscription rights	31	30
Investments and other assets	8,303	7,849
Investment securities	7,384	6,955
Long-term loans	29	33
Long-term guarantee deposits	669	660
Deferred tax assets	47	21
Other investments	258	255
Provision for doubtful debts	—86	—76
Total fixed assets	10,820	10,334
Total assets	50,055	54,153

(Kyokuto Securities)
(Millions of yen)

	FY ended Mar. 31 2009	FY ended Mar. 31, 2010
Liabilities		
Current liabilities:		
Trading liabilities	645	171
Short positions of securities	645	163
Derivative contracts	—	8
Net payables regarding customers' contracts to be settled	235	—
Liabilities pertaining to margin transactions	1,525	1,407
Borrowings for margin transactions	478	753
Cash collateral for borrowed securities sold short	1,047	653
Borrowings against securities pledged	504	—
Borrowings through <i>Gensaki</i> transactions	504	—
Payables to customers and others	4,083	5,896
Customers' margin deposits	1,387	548
Short-term borrowings	8,557	10,754
Accrued income taxes	49	2,391
Accrued bonuses to employees	101	320
Other current liabilities	97	304
Total current liabilities	17,187	21,795
Fixed liabilities		
Long-term borrowings	3,014	—
Deferred tax liabilities	—	45
Provision for retirement/severance benefits to employees	453	258
Other fixed liabilities	638	554
Total fixed liabilities	4,106	858
Statutory reserve		
Financial instruments trading liability reserve	36	26
Total statutory reserve	36	26
Total liabilities	21,330	22,680
Net Assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	19,196	22,142
Treasury stock	—866	—866
Total shareholders' equity	28,356	31,302
Unrealized gains on securities	54	171
Minority interests	313	—
Total net assets	28,725	31,473
Total liabilities and net assets	50,055	54,153

2. Consolidated Income Statement

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Operating income		
Commissions and fees	1,986	1,820
Brokerage commissions	972	813
Fees for underwriting, selling and sales solicitation to professional investors	15	2
Fees for handling of offering, selling and sales solicitation to professional investors	273	417
Other fees	724	586
Net gains or loss on trading	1,627	12,449
Net gains or loss on private equity and other securities	95	-184
Interest and dividend income	1,075	957
Other operating income	177	254
Total operating income	4,962	15,297
Financial expenses	227	210
Net operating income	4,734	15,087
Operating expenses		
Transaction-related expenses	798	3,101
Personnel expenses	3,303	3,318
Real estate-related expenses	632	548
Data processing and office supplies	601	527
Depreciation and amortization	106	90
Miscellaneous taxes and dues	96	143
Provision for doubtful debts	1	-
Other	192	146
Total operating expenses	5,733	7,874
Operating profit or loss	-998	7,212
Non-operating income		
Dividends received	170	72
Foreign tax credit	-	57
Gains on investments in <i>Tokumei Kumiai</i> (TK)	31	-
Gains on investments in limited partnerships	-	72
Interest received	0	-
Reversal of provision for retirement/severance benefits to employees	-	40
Other	81	84
Total non-operating income	282	326
Non-operating expenses		
Loss on investments in <i>Tokumei Kumiai</i> (TK)	-	7
Interest paid	9	5
Loss on investments in limited partnerships	89	-
Penalty fees on cancellation of lease contracts	-	3
Other	6	1
Total non-operating expenses	105	17
Ordinary profit or loss	-821	7,521
Extraordinary profit		
Gains on sale of investment securities	17	-
Gains on sale of fixed assets	29	-
Reversal of Accrued bonuses to employees	9	-
Reversal of provision of doubtful debts	1	11
Liquidation of financial instruments trading liability reserve	454	10
Total extraordinary profit	512	21
Extraordinary loss		
Loss on sales of investment securities	223	6
Loss on valuation of investment securities	485	808
Loss on valuation of private equity and other securities	-	850
Loss on disposal of fixed assets	23	21
Provision for doubtful debts	1	1
Total extraordinary loss	734	1,688
Net profit or loss before taxes	-1,042	5,854
Corporate tax, residential tax and business tax	66	2,375
Corporate tax, etc. for previous fiscal year	98	-
Adjustments for corporate tax, etc.	266	-14
Total corporate tax, etc.	431	2,361
Minority interests	-26	-313
Net profit	-1,447	3,806

3. Changes in Consolidated Shareholders' Equity

(Millions of yen)

	FY ended March 31, 2009	FY ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance as of the end of previous fiscal year	5,251	5,251
Balance as of the end of the fiscal year	5,251	5,251
Capital surplus		
Balance as of the end of previous fiscal year	4,774	4,774
Balance as of the end of the fiscal year	4,774	4,774
Retained earnings		
Balance as of the end of previous fiscal year	21,509	19,196
Increase/decrease occurred during the fiscal year		
Dividends paid	-865	-861
Net profit/loss for the fiscal year	-1,447	3,806
Total increase/decrease during the fiscal year	-2,313	2,945
Balance as of the end of the fiscal year	19,196	22,142
Treasury stock		
Balance as of the end of previous fiscal year	-649	-866
Increase/decrease occurred during the fiscal year		
Acquisition of treasury stock	-217	-0
Total increase/decrease during the fiscal year	-217	-0
Balance as of the end of the fiscal year	-866	-866
Total shareholders' equity		
Balance as of the end of the previous fiscal year	30,886	28,356
Increase/decrease occurred during the fiscal year		
Dividends paid	-865	-861
Net profit/loss for the fiscal year	-1,447	3,806
Acquisition of treasury shares	-217	-0
Total increase/decrease during the fiscal year	-2,530	2,945
Balance as of the end of the fiscal year	28,356	31,302
Valuation and translation adjustments.		
Unrealized gains/loss on other securities		
Balance as of the end of previous fiscal year	78	54
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	-23	116
Total increase/decrease during the fiscal year	-23	116
Balance as of the end of the fiscal year	54	171
Total valuation and translation adjustments		
Balance as of the end of the previous period	78	54
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	-23	116
Total increase/decrease during the fiscal year	-23	116
Balance as of the end of the fiscal year	54	171
Minority interests		
Balance as of the end of previous fiscal year	350	313
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	-36	-313
Total increase/decrease occurred during the fiscal year	-36	-313
Balance as of the end of the fiscal year	313	-
Total net assets		
Balance as of the end of previous fiscal year	31,316	28,725
Increase/decrease occurred during the fiscal year		
Dividends paid	-865	-861
Net profit/loss for the fiscal year	-1,447	3,806
Acquisition of treasury stock	-217	-0
Net change in the items other than shareholders' equity	-60	-197
Total increase/decrease during the fiscal year	-2,590	2,747
Balance as of the end of the fiscal year	28,725	31,473

4. Consolidated Cash Flow Statement

(Millions of yen)

	FY ended March 31, 2009	FY ended March 31, 2010
Cash Flows from Operating Activities:		
Net profit or loss before taxes	-1,042	5,854
Depreciation	106	90
Increase/decrease in provision for retirement/severance benefit to employees	223	-194
Provision for/reversal of provision for doubtful debts	-10	-10
Decrease in accrued bonuses to employees	-179	218
Interest received/receivable and dividends received	-1,075	-688
Interest paid/payable	227	216
Gains on sale of investment securities	-17	-
Loss on sale of investment securities	223	6
Gains/loss on valuation of investment securities	485	808
Gains/loss on sale of fixed assets	-29	-
Loss on disposal of fixed assets	23	21
Increase/decrease in provision for financial instruments trading liability reserve	-454	-10
Other	125	-62
Increase/decrease of statutory deposits	912	-1,345
Increase/decrease of receivables from other firms and customers	-4	3
Increase/decrease of trading assets	1,477	3,257
Net receivables/payables pertaining to contracts to be settled	278	-462
Increase/decrease of private equity and other securities	-2,018	1,105
Increase/decrease of assets/liabilities pertaining to margin transactions	3,872	-1,296
Other assets	-166	53
Payables to customers and others	-1,047	1,813
Increase/decrease of trading liabilities	634	-473
Borrowings through <i>Gensaki</i> transactions	-198	-504
Customers' margin deposits	620	-839
Other liabilities	-156	126
Subtotal	2,809	7,689
Interest and dividends received	866	653
Interest paid	-218	-221
Payment of corporate tax, et c.	-638	319
Net Positive (Negative) Cash Flows from Operating Activities	2,818	8,441
Cash Flows from Investing Activities		
Payment for acquisition of fixed assets	-123	-79
Proceeds from sale of fixed assets	259	0
Payment for acquisition of investment securities	-912	-512
Proceeds from sale of investment securities	481	19
Proceeds from redemption of investment securities	780	343
Loans to customers and others	-0	-8
Income from collection of loans lent	3	4
Proceeds from withdrawal from golf course membership	0	0
Proceeds from sale of golf course membership	3	-
Other	8	13
Net Positive (Negative) Cash Flows from Investing Activities	500	-217
Cash Flows from Financing Activities		
Acquisition of long-term loan	3,000	-
Repayment of long-term borrowings	-3,057	-1,557
Increase/decrease in short-term borrowings	-3,220	740
Acquisition of treasury stock	-217	-0
Payment of dividends	-865	-857
Net Positive (Negative) Cash Flows from Financing Activities	-4,359	-1,674
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	275	-13
Increase/Decrease in Cash and Cash Equivalents	-764	6,535
Balance of Cash and Cash Equivalents at Beginning of Fiscal Year	5,862	5,098
Balance of Cash and Cash Equivalents at End of Fiscal Year	5,098	11,634

5. Matters Related to Going Concern Assumption

Not applicable.

6. Important Policies for Preparation of Consolidated Financial Statements

Items	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
<p>1. Matters Concerning Scope of Consolidation</p>	<p>(1) Consolidated subsidiaries: 2 companies Name of consolidated subsidiaries: Kyokuto Properties Co., Ltd.; and FE invest. Co., Ltd.</p> <p>(2) Name of major nonconsolidated subsidiaries: Kyokuto Securities Research Institute, Inc; and <i>Godogaisha</i> ASAGK21.</p> <p>Reason for exclusion from consolidation These subsidiaries are small in size, and thus do not have significant influence on the consolidated financial statements in terms of total assets, amount of sales, net profit, retained earnings, etc.</p> <p>(3) Name of 4 companies being excluded from scope of subsidiaries despite proprietary ownership of majority of voting rights: FEVC2 Investment Business, LLC; FEVC24 Investment Business, LLC; FEVC25 Investment Business, LLC; and FEVC26 Investment Business, LLC</p> <p>Reason for exclusion from scope of subsidiaries The Group is considered not having controlling power over these entities, as it is clear that the executives of these entities are in a position to simply execute daily operations and are not entitled to make decisions on their financial, business, and/or policies..</p> <p>(4) Special Purpose Entities Subject to Disclosure The outline of special purpose entities subject to disclosure, outline of transactions effected by using special purpose entities subject to disclosure, and amount of transactions with special purpose entities subject to disclosure are omitted, as disclosure thereof in this report is not considered important.</p>	<p>(1) Consolidated subsidiaries: 2 companies Name of consolidated subsidiaries: Kyokuto Properties Co., Ltd.; and FE invest. Co., Ltd.</p> <p>(2) Name of major nonconsolidated subsidiaries: Kyokuto Securities Research Institute, Inc; and <i>Godogaisha</i> ASAGK21.</p> <p>Reason for exclusion from consolidation The same as in the left.</p> <p>(3) Name of 8 companies being excluded from scope of subsidiaries despite proprietary ownership of majority of voting rights: FEVC2 Investment Business, LLC; FEVC24 Investment Business, LLC; FEVC25 Investment Business, LLC; FEVC26 Investment Business, LLC; and others</p> <p>Reason for exclusion from scope of subsidiaries The same as in the left</p> <p>(4) Special Purpose Entities Subject to Disclosure The same as in the left.</p>
<p>2. Matters Concerning Application of Equity Method</p>	<p>(1) Non-consolidated subsidiaries being excluded from application of equity method are Kyokuto Securities Research Institute, Inc. and <i>Godogaisha</i> ASAGK21, and affiliates being excluded from application of equity method are FEVC1 Investment Business, LLC and FEVC7 Investment Business, LLC. These non-consolidated subsidiaries and affiliates have been out of the scope of application of equity method as their (pro rata) net profit and retained earnings for the year have little influence on the consolidated financial statements, and also as their importance are limited.</p>	<p>(1) Non-consolidated subsidiaries being excluded The same as in the left.</p>

Items	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
3. Matters Concerning the Day of Close of Accounting Period of Consolidated Subsidiary	The day of close of accounting period of the consolidated subsidiaries is March 31, the same as that of the Company.	The same as in the left.
4. Significant Accounting Policies	<p>(1) Valuation standards and methods for important assets</p> <p>(a) Valuation of securities for principal trading Securities and derivative contracts classified as those in the principal trading account are recorded at present market value. For securities sold, their acquisition costs are computed by the moving average method.</p> <p>(b) Valuation of securities other than those for principal trading (including private equity and other securities)</p> <p>(i) Securities for which market value is readily available The present market value is recorded on the consolidated balance sheet. The difference between the present market value and acquisition cost is recorded directly in a separate component of stockholders' equity. For securities sold, their acquisition costs are computed by the moving-average method.</p> <p>(ii) Securities for which market value is not readily available Valuation is effected by the moving-average cost method.</p> <p>(2) Methods of depreciation of major depreciable assets</p> <p>(a) Tangible fixed assets Depreciation of tangible fixed assets acquired on and before March 31, 2007 is effected by the former declining-balance method. As of the end of the period, no building (except for equipment attached thereto) had been acquired on and after April 1, 1998. Depreciation of tangible fixed assets acquired on and after April 1, 2007 is effected by the current declining-balance method. Depreciation of buildings (except for equipment attached thereto) owned by the consolidated subsidiaries is effected by the straight-line method. Useful lives are as follows: Buildings: 8—47 years Fixtures/equipment: 3—20 years</p> <p>(b) Intangible fixed assets (except leased assets) Intangible fixed assets are amortized by the straight-line method, provided that computer software for the Company's own use is amortized by the straight-line method over the estimated useful lives (5 years).</p>	<p>(1) Valuation standards and methods for important assets</p> <p>(a) Valuation of securities for principal trading The same as in the left.</p> <p>(b) Valuation of securities other than those for principal trading (including private equity and other securities)</p> <p>(i) Securities for which market value is readily available The same as in the left.</p> <p>(ii) Securities for which market value is not readily available The same as in the left.</p> <p>(2) Methods of depreciation of major depreciable assets</p> <p>(a) Tangible fixed assets (except leased assets) The same as in the left.</p> <p>(b) Intangible fixed assets (except leased assets) The same as in the left.</p>

Items	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
	<p>(c) Leased assets Depreciation of leased assets are effected by the straight-line method with useful lives thereof being fixed at leasing period and final value being zero. For financial lease transactions other than those guaranteeing the transfer of ownership of the leased property to the lessee which commenced before March 31, 2009, the method for typical lease transactions is mainly used for accounting</p> <p>(3) Policies for recording major provisions (a) Provision for doubtful debts To provide for loss from debtors' failure to pay back loans, etc., a provision has been made based on: (i) in case of ordinary loans, experience that proportion of debtors will never pay; and (ii) in case of doubtful and failed loans, the Company's estimation of uncollectible amount derived from its analysis of collectibility of individual loans concerned.</p> <p>(b) Accrued bonuses to employees To provide for payment of bonuses to employees, estimated amount of bonuses for the period has been computed and accrued in accordance with the Company's certain formula.</p> <p>(c) Accrued liability for retirement and severance benefits to employees To provide for payment of retirement and severance benefits to employees, such an amount has been accrued as needed at the end of the year for filling any deficiency in the estimated required amount of pension and retirement benefits to employees as at the end of the year. Also, to provide for payment of retirement and severance benefits to executive officers, such an amount has accrued as required under the internal rules on retirement and severance benefits to executive officers.</p> <p>(4) Conversion of major foreign-currency denominated assets and liabilities into Japanese yen Foreign-currency denominated claims and obligations are converted into Japanese yen at the spot rate prevailing on the day of close of the period. Any gains or loss resulting from conversion are reflected in the income statement.</p> <p>(5) Other important policies for preparation of consolidated financial statements National and local consumption taxes are recorded separately.</p>	<p>(c) Leased assets The same as in the left.</p> <p>(3) Policies for recording major provisions (a) Provision for doubtful debts</p> <p>(b) Accrued bonuses to employees The same as in the left.</p> <p>(c) Accrued liability for retirement and severance benefits to employees The same as in the left.</p> <p>(4) Conversion of major foreign-currency denominated assets and liabilities into Japanese yen The same as in the left.</p> <p>(5) Other important policies for preparation of Consolidated financial statements The same as in the left.</p>

Items	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
5. Matters Concerning Valuation of Assets and Liabilities of Consolidated Subsidiaries	Consolidated subsidiaries' assets and liabilities are all recorded at present market value.	The same as in the left.
6. Scope of Cash and Cash Equivalent Included in Consolidated Cash Flow Statement	Movements of funds (cash and cash equivalents) recorded in the consolidated cash flow statement consist of cash on hand and such deposits that offer a high degree of liquidity and safety of principal, including current and ordinary deposits.	The same as in the left.

7. Change in Important Policies for Preparation of Consolidated Financial Statements

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
<p>(Accounting Standards for Lease Transactions)</p> <p>While financial lease transactions other than those guaranteeing the transfer of ownership of the leased property to the lessee were subject to typical accounting treatment pertinent to lease transactions, in and after the fiscal year these transactions are subject to "Accounting Standards for Lease Transactions" (effective since June 17, 1993 as amended on March 30, 2007) and "Guidance for Application of Accounting Standards for Lease Transactions (effective since January 18, 1994 as amended on March 30, 2007) and thus subject to accounting treatment similar to that for regular transactions.</p> <p>For financial lease transactions other than those guaranteeing the transfer of ownership of the leased property to the lessee which commenced before the effective fiscal year, the method for typical lease transactions is used for accounting.</p> <p>The change has no influence on the amount of the period's operating income, ordinary profit and net profit before taxes.</p>	_____

8. Changes in Itemization

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
<p>(Consolidated Cash Flow Statement)</p> <p>In Cash Flows from Operating Activities, "Increase/decrease of private equity and other securities" which used to be included in "Other assets" is separately shown in view of importance. The amount of "Increase/decrease of private equity and other securities" included in "Other assets" for the previous fiscal year was -6,183 million yen.</p>	_____

9. Additional Information

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
<p>(Treatment of statutory reserve, “Financial instruments trading liability reserve”)</p> <p>With the “Financial Instruments and Exchange Act” becoming effective, “Securities trading liability reserve” which used to be reserved as a statutory reserve pursuant to the provision of Article 51, Paragraph 1 of the former Securities and Exchange Law has been reserved as “Financial instruments trading liability reserve” in accordance with the provision of Article 46-5, Paragraph 1 of the Act in and after this fiscal year.</p> <p>Due to this change, the amount of loss before taxes decreased 319 million yen.</p>	_____
<p>Items “Fees for underwriting and selling” and “Fees for handling of offering and selling” have been changed to “Fees for underwriting, selling and sales solicitation to professional investors” and “Fees for handling of offering, selling and sales solicitation to professional investors”, respectively, pursuant to a partial amendment to the “Uniform Accounting Standards of Securities Companies” (Self regulatory rules of the Japan Securities Dealers Association”, which was made in accordance with the “Law to Amend the Financial Instruments and Exchange Act, Etc” and regulations related thereto which became effective on December 12, 2009.</p>	_____

**10. Notes concerning consolidated financial statements
(Notes to consolidated balance sheets)**

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010												
<p>1. Cumulative amount of depreciation of tangible fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">710 million yen</td> </tr> <tr> <td style="padding-left: 20px;"><u>Fixtures/equipment</u></td> <td style="text-align: right;"><u>156</u></td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right;">866</td> </tr> </table>	Buildings	710 million yen	<u>Fixtures/equipment</u>	<u>156</u>	Total	866	<p>1. Cumulative amount of depreciation of tangible fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">755 million yen</td> </tr> <tr> <td style="padding-left: 20px;"><u>Fixtures/equipment</u></td> <td style="text-align: right;"><u>120</u></td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right;">875</td> </tr> </table>	Buildings	755 million yen	<u>Fixtures/equipment</u>	<u>120</u>	Total	875
Buildings	710 million yen												
<u>Fixtures/equipment</u>	<u>156</u>												
Total	866												
Buildings	755 million yen												
<u>Fixtures/equipment</u>	<u>120</u>												
Total	875												
<p>2. Liabilities for guarantee</p> <p>Those for employee’s housing loans: 122 million yen</p>	<p>2. Liabilities for guarantee</p> <p>Those for employee’s housing loans: 103 million yen</p>												
<p>3. Contingent liability</p> <p>On March 25, 2009 the company entered into a trust beneficiary right transfer reservation agreement pertaining to real estate with a juridical person, in which the company and its consolidated subsidiaries have made <i>tokumei-kumiai</i> capital contribution. Under the agreement, the juridical person has the reservation exercise right that entitles the juridical person to demand that the Company purchase at 4 billion yen the trust beneficiary right that the juridical person holds, when the due date of March 30, 2012 comes; when any event(s) occurs that triggers acceleration prescribed in the loan agreement the juridical person has entered into with a bank with respect to its borrowing therefrom of 2 billion yen; or when any event(s) occurs that causes cancellation of the trust agreement in part or in its entirety.</p>	<p>3. Contingent liability</p> <p>The same as in the left.</p>												

(Notes to consolidated income statement)

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Of personnel expenses, 371 million yen is provision for accrued bonuses to employees.	Of personnel expenses, 638 million yen is provision for accrued bonuses to employees.

(Notes to statement of changes in consolidated shareholders' equity)**(For the year ended March 31, 2009)****(1) Matters concerning class and total number of shares outstanding and treasury shares**

(Thousands of shares)

	Number of shares as of Mar. 31, 2008	Increase in number of shares	Decrease in number of shares	Number of shares as of Mar. 31, 2009
Shares outstanding: Common stock	32,779	—	—	32,779
Treasury stock: Common stock	617	262	—	880

Notes: An increase in number of shares was due mostly to an increase in treasury stock, with less than a thousand shares being due to purchase of less-than-unit shares in response to request from shareholders owning such shares.

(2) Matters concerning dividends**(a) Amount of dividends paid**

Resolution	Class of stock	Total amount of dividends paid	Dividends per share	Record date	Effective date
Meeting of Board of Directors held on April 25, 2008	Common stock	546 million yen	17.00 yen	Mar. 31, 2008	June 5, 2008
Meeting of Board of Directors held on October 15, 2008	Common stock	318 million yen	10.00 yen	Sept. 30, 2008	Nov. 28, 2008

(b) Dividends with record date belonging to this fiscal year, for which effective date comes in the next fiscal year

Resolution	Class of Stock	Total amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 14, 2009	Common stock	318 million yen	Retained earnings	10.00 yen	Mar. 31, 2009	June 5, 2009

(For the year ended March 31, 2010)**(1) Matters concerning class and total number of shares outstanding and treasury shares**

(Thousands of shares)

	Number of shares as of Mar. 31, 2009	Increase in number of shares	Decrease in number of shares	Number of shares as of Mar. 31, 2010
Shares outstanding: Common stock	32,779	—	—	32,779
Treasury stock: Common stock	880	0	—	880

Notes: An increase in treasury stock (less than a thousand shares) was due to purchase of less-than-unit shares in response to request from shareholders owning such shares.

(2) Matters concerning dividends**(a) Amount of dividends paid**

Resolution	Class of stock	Total amount of dividends paid	Dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 14, 2009	Common stock	318 million yen	10.00 yen	Mar. 31, 2009	June 5, 2009
Meeting of Board of Directors held on October 16, 2009	Common stock	542 million yen	17.00 yen	Sept. 30, 2009	Nov. 27, 2009

(b) Dividends with record date belonging to this fiscal year, for which effective date comes in the next fiscal year

Resolution	Class of Stock	Total amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 14, 2010	Common stock	1,371 million yen	Retained earnings	43.00 yen	Mar. 31, 2010	June 8, 2010

(Notes to consolidated cash flow statement)

Relationship between the balance of cash and cash equivalents and the amount of cash and bank deposits recorded on the consolidated balance sheets at the end of the latest two fiscal years:

	Fiscal year ended <u>Mar. 31, 2009</u>	Fiscal year ended <u>Mar. 31, 2010</u>
		(Millions of yen)
Cash and bank deposits	5,098	11,634
<u>Term deposits for periods more than 3 months</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents	5,098	11,634

(Market/Fair Value of Securities)**1. Securities Pertaining to Principal Trading****Securities inventory (held for purchase and sale)**

(Millions of yen)

Types of Securities	FY ended March 31, 2009				FY ended March 31, 2010			
	Assets		Liabilities		Assets		Liabilities	
	Value on consolidated balance sheets	Difference from market value	Value on consolidated balance sheets	Difference from market value	Difference from market value	Difference from market value	Difference from market value	Difference from market value
Equities	1,116	77	645	17	—	—	—	—
Bonds	12,991	—1,656	—	—	2,420	—	—	—
Other	269	—159	—	—	33	—	—	—
Total	14,377	—1,738	645	17	2,029	—	—	—18

2. Securities Not Pertaining to Principal Trading**(1) Market value etc. of securities not pertaining to principal trading**

(Millions of yen)

Types of Securities	FY ended March 31, 2009			FY ended March 31, 2010		
	Acquisition cost	Value on consolidated balance sheets	Difference from market value	Acquisition cost	Value on consolidated balance sheets	Difference from market value
Securities recorded as current assets:						
Those whose market value exceeded value on consolidated balance sheet:						
Equity securities	—	—	—	2	—	—0
Those whose market value did not exceed value on consolidated balance sheets:						
Equity securities	2	2	—	—	—	—
Subtotal	2	2	—	2	2	—0
Securities recorded as fixed assets:						
Those whose market value exceeded value on consolidated balance sheets:						
Equity securities	391	592	200	782	462	320
Those whose market value did not exceed value on consolidated balance sheets:						
Equity securities	568	416	—151	366	495	—129
Subtotal	960	1,009	49	1,148	957	191
Total	963	1,012	49	1,151	960	190

Notes (1) For the fiscal year ended March 31, 2009, the Company recognized ¥0 million for its private equity and other securities (current assets) and ¥479 million for its investment securities as impairment loss.

(2) For the fiscal year ended March 31, 2010, the Company recognized ¥1,006 million for private equity and other securities (current assets: ¥13 million for equities and ¥993 million for other securities) and ¥808 million for investment securities (¥452 million for equities and ¥356 million for other securities) as impairment loss.

(3) The Company maintains such standards for recognition of impairment loss that loss shall be recognized for such securities: (a) whose value is impaired by 50% or more, and (b) whose value is impaired by 30% or more but less than 50% with little chance of recovery.

(2) Securities not pertaining to principal trading sold in the fiscal year

(Millions of yen)

FY ended March 31, 2009			FY ended March 31, 2010		
Amount sold	Total gains	Total loss	Amount sold	Total gains	Total loss
312	17	223	1	—	6

(Tax Assets and Liabilities)**1. Principal Sources of Deferred Tax Assets and Liabilities**

	Fiscal year ended Mar. 31, 2009	Fiscal year ended Mar. 31, 2010
(1) Current assets		(Millions of yen)
Deferred tax assets		
Accrued bonuses to employees	41	156
Accrued business tax	6	194
Deficit brought forward	355	—
Other	19	42
	<u>422</u>	<u>392</u>
Deferred tax liabilities		
Prepayment of estimated business tax	— 34	—
(2) Fixed assets		
Deferred tax assets		
Provision for doubtful debts	32	31
Provision for retirement/severance benefits to employees	47	46
Long-term payables	252	217
Deficit brought forward	483	—
Other	315	718
Amount of appraisal-related provisions	— 1,046	— 919
	<u>86</u>	<u>95</u>
Deferred tax liabilities		
Appraisal difference of other securities	— 38	— 118
Net deferred tax assets/liabilities	<u>435</u>	<u>369</u>

2. Main Causes of Difference between Statutory Effective Tax Rate and the Company's Effective Tax Rate after Applying Tax Effect Accounting

Fiscal year ended Mar. 31, 2009	Fiscal year ended Mar. 31, 2010
Not applicable because of net loss	Notes omitted as the difference between the statutory effective tax rate and the Company's effective tax rate is 5% or less.

(Segment Information)**1. Business Segment Information**

For Fiscal Years ended March 31, 2009 and 2010

The principal business activities of this corporate group are those related to financial instruments, including agency/principal trading in securities, underwriting and selling of securities, offering and selling of securities and handling of private placements of securities. These business activities involve provision of financial and other services. This corporate group earns income from the above-mentioned business activities combined with provision of such services. Accordingly, the segment information is not applicable to this corporate group, as its business activities come under the single business segment—the “investment/financial services business”.

2. Geographical Segment Information

This segment information is not applicable to this corporate group, as it has no consolidated subsidiary or branch office outside Japan for Fiscal Years ended March 31, 2009 and 2010.

3. Overseas Gross Sales (Operating income)

Not applicable, as there were no overseas sales for Fiscal Years ended March 31, 2009 and 2010.

(Per Share Data)

	FY ended March 31, 2009	FY ended March 31, 2010
Net assets per share	890.69 yen	986.68 yen
Earnings/loss per share	-45.33 yen	119.34 yen

Note: Diluted earnings per share for FY ended March 31, 2009 are not applicable because of net loss and non-existence of potential shares outstanding. Diluted earnings per share for FY ended March 31, 2010 are not applicable because of non-existence of potential shares outstanding.

Data used for computation of the earnings per share and earnings per share (diluted) in the above table:

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
For earnings per share:		
Net profit (millions of yen)	-1,447	3,806
Of which those not belong to shareholders	-	-
Net profit or loss pertaining to common stock	-1,447	3,806
Average number of shares outstanding	31,933,438	31,898,326
For earnings per share (diluted)		
Amount adjusted (millions of yen)	-	-
No. of shares that may be issued in the future (Of which stock options)	(-)	(-)
Explanation of potential shares not included in computation of diluted earnings per share as they are not considered to have dilution effect.	First stock options given in 2005 (289,700 shares) and second stock options given in 2005 (5,000 shares)	First stock options given in 2005 (285,400 shares) and second stock options given in 2005 (5,000 shares)

(Material Subsequent Events)

Not applicable.

(Omission of Disclosure)

Notes on lease transactions, transactions with affiliated persons, matters related to financial instruments, derivative transactions, retirement/severance benefits, stock options and special purpose entity being subject to disclosure are omitted, as disclosure thereof in this report is not considered important.

[Referential Data]**Referential Data on Consolidated Business Results for FY Ended March 31, 2010****(1) Commissions and fees earned****(a) Commissions and fees by sources**

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010	Change	
				%
Brokerage commissions	972	813	-159	-16.4
(Equities)	(964)	(806)	(-157)	(-16.3)
(Bonds)	(1)	(0)	(-0)	(-46.3)
Fees for underwriting, selling and sales solicitation to professional investors	15	2	-13	-85.6
(Equities)	(15)	(1)	(-13)	(-87.9)
(Bonds)	(-)	(0)	(0)	(-)
Fees for handling of offering, selling and sales solicitation to professional investors	273	417	144	52.9
Other fees	724	586	-137	-19.0
Total	1,986	1,820	-165	-8.3

(b) Commissions and fees by instruments

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010	Change	
				%
Equities	987	818	-169	-17.1
Bonds	23	2	-21	-91.0
Beneficiary certificates	314	560	246	78.6
Other	661	439	-221	-33.5
Total	1,986	1,820	-165	-8.3

(2) Gains/loss on trading

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010	Change	
				%
Equities, etc.	494	2,406	1,911	386.2
Bonds, etc.	1,293	10,105	8,811	680.9
Other	-161	-62	99	-
Total	1,627	12,449	10,821	665.0

(Referential Data)

Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Mar. 31, 2009	Qr. ended June 30, 2009	Qr. ended Sept. 30, 2009	Qr. ended Dec. 31, 2009	Qr. ended Mar. 31, 2010
I. Operating income	1,148	3,447	2,609	6,915	2,325
1. Commissions and fees	385	507	378	358	576
2. Gains or loss on trading	486	2,671	1,991	6,328	1,457
3. Gains on private equity and other securities	-32	-1	-19	-142	-20
4. Interest and dividend income	237	185	232	294	244
5. Other operating income	71	83	27	75	67
II. Financial expenses	57	52	50	62	44
Net operating income	1,091	3,394	2,559	6,852	2,281
III. Operating Expenses	1,474	1,315	1,327	3,693	1,538
1. Transaction-related expenses	162	148	171	2,508	272
2. Personnel expenses	910	822	812	821	861
3. Real estate-related expenses	145	133	132	140	141
4. Data processing and office supplies	143	127	138	128	131
5. Depreciation and amortization	26	22	22	23	20
6. Miscellaneous taxes and dues	39	31	22	32	56
7. Provision for doubtful debts	1	-	0	-	-
8. Other	44	28	26	37	54
Operating Profit	-382	2,078	1,231	3,158	742
IV. Non-operating income	141	81	88	88	78
V. Non-operating expenses	4	15	5	1	5
Ordinary profit	-246	2,144	1,314	3,245	816
VI. Extraordinary profit	28	13	-	7	2
VII. Extraordinary loss	41	313	568	489	318
Net profit before taxes	-259	1,844	745	2,763	500
Corporate tax, residential tax and business tax	19	9	516	1,422	427
Adjustments for corporate tax, etc.	-140	339	-133	-20	-198
Minority interests	-14	-131	-182	-	-
Net profit	-123	1,627	545	1,362	271

V. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Assets		
Current assets:		
Cash and bank deposits	4,679	11,047
Segregated cash and statutory deposits	5,157	6,502
Trading assets	14,377	11,119
Securities inventory	14,377	11,116
Derivative contracts	—	3
Net receivables pertaining to contracts to be settled	—	227
Assets pertaining to margin transactions	3,646	4,824
Loans to customers on margin transactions	2,345	4,054
Cash collateral to finance companies for securities borrowed	1,300	770
Receivables from other firms and customers	5	1
Receivables from customers	2	0
Receivables from others	3	0
Short-term guarantee deposits	72	94
Short-term loans	8,000	1,950
Advance payments	349	—
Prepaid expenses	21	17
Other receivables	108	140
Accrued income	243	220
Deferred tax assets	369	388
Other current assets	7	9
Provision for doubtful debts	—2	—357
Total current assets	37,035	36,186
Fixed assets:		
Tangible fixed assets	644	655
Buildings	231	204
Fixtures and equipment	253	292
Land	159	159
Intangible fixed assets	71	60
Computer software	47	35
Telephone line subscription rights	24	24
Investments and other assets	10,874	15,336
Investment securities	6,035	5,708
Stocks of affiliated companies	983	585
Capital contribution	1	1
Long-term loans	6	5
Long-term loans to affiliated companies	2,989	8,680
Long-term loans to employees	23	27
Long-term guarantee deposits	635	631
Long-term prepaid expenses	13	12
Deferred tax assets	38	14
Other investments	236	228
Provision for doubtful debts	—86	—559
Total fixed assets	11,590	16,052
Total assets	48,626	52,238

(Kyokuto Securities)

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Liabilities		
Current liabilities:		
Trading liabilities	645	171
Short positions of securities	645	163
Derivative contracts	—	8
Net payables regarding customers' contracts to be settled	235	—
Liabilities pertaining to margin transactions	1,525	1,407
Borrowings for margin transactions	478	753
Cash collateral for borrowed securities sold short	1,047	653
Borrowings against securities pledged	504	—
Borrowings through <i>Gensaki</i> transactions	504	—
Payables to customers and others	4,080	5,894
Payables to customers	3,806	5,487
Payables to others	273	406
Customers' margin deposits	1,387	548
Short-term borrowings	8,250	10,500
Accrued payments	26	21
Accrued expenses	53	271
Accrued income taxes	—	2,367
Accrued bonuses to employees	100	316
Other current liabilities	10	7
Total current liabilities	16,819	21,507
Fixed liabilities		
Long-term borrowings	3,000	—
Provision for retirement/severance benefits to employees	440	240
Other fixed liabilities	624	539
Total fixed liabilities	4,064	779
Statutory reserve		
Financial instruments trading liability reserve	36	26
Total statutory reserve	36	26
Total liabilities	20,921	22,313
Net assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	18,490	20,593
Treasury stock	—866	—866
Total shareholders' equity	27,650	29,753
Unrealized gains on securities	54	171
Total net assets	27,705	29,924
Total liabilities and net assets	48,626	52,238

2. Non-consolidated Income Statement

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Operating income		
Commissions and fees	1,986	1,820
Brokerage commissions	972	813
Fees for underwriting, selling and sales solicitation to professional investors	15	2
Fees for handling of offering selling and sales solicitation to professional investors	273	417
Other fees	724	586
Net gains or loss on trading	1,627	12,449
Interest and dividend income	1,075	957
Total operating income	4,688	15,227
Financial expenses	227	210
Net operating income	4,461	15,017
Operating expenses		
Transaction-related expenses	771	3,101
Personnel expenses	3,118	3,173
Real estate-related expenses	821	743
Data processing and office supplies	621	551
Depreciation and amortization	79	66
Miscellaneous taxes and dues	81	125
Provision for doubtful debts	1	143
Other	157	113
Total operating expenses	5,652	8,019
Operating profit or loss	-1,191	6,997
Non-operating income		
Dividends received	170	72
Foreign tax credit	—	57
Gains on investments in limited partnerships	—	72
Interest received from affiliated companies	196	163
Other	92	127
Total non-operating income	459	493
Non-operating expenses		
Loss on investments in limited partnerships	89	—
Loss on investments in <i>Tokumei Kumiai</i> (TK)	—	7
Penalty fees on cancellation of lease contracts	—	3
Other	6	1
Total non-operating expenses	96	11
Ordinary profit or loss	-828	7,479
Extraordinary profit		
Gains on sale of investment securities	17	—
Gains on sale of fixed assets	28	—
Reversal of Accrued bonuses to employees	9	—
Reversal of provision of doubtful debts	1	10
Liquidation of financial instruments trading liability reserve	454	10
Total extraordinary profit	511	21
Extraordinary loss		
Loss on sales of investment securities	223	6
Loss on valuation of investment securities	483	775
Loss on valuation of securities of affiliated company	—	729
Loss on disposal of fixed assets	23	11
Provision for doubtful debts	1	694
Other	—	70
Total extraordinary loss	732	2,287
Net profit or loss before taxes	-1,048	5,212
Corporate tax, residential tax and business tax	9	2,323
Corporate tax, etc. for previous fiscal year	98	—
Adjustments for corporate tax, etc.	301	-75
Total corporate tax, etc.	409	2,248
Net profit	-1,458	2,964

3. Changes in Non-consolidated Shareholders' Equity

(Millions of yen)

	FY ended March 31, 2009	FY ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance as of the end of previous fiscal year	5,251	5,251
Balance as of the end of the fiscal year	5,251	5,251
Capital surplus		
Balance as of the end of previous fiscal year	4,774	4,774
Balance as of the end of the fiscal year	4,774	4,774
Retained earnings		
Balance as of the end of previous fiscal year	20,814	18,490
Increase/decrease occurred during the fiscal year		
Dividends paid	-865	-861
Net profit/loss for the fiscal year	-1,458	2,964
Total increase/decrease during the fiscal year	-2,324	2,103
Balance as of the end of the fiscal year	18,490	20,593
Treasury stock		
Balance as of the end of previous fiscal year	-649	-866
Increase/decrease occurred during the fiscal year		
Acquisition of treasury stock	-217	-0
Total increase/decrease during the fiscal year	-217	-0
Balance as of the end of the fiscal year	-866	-866
Total shareholders' equity		
Balance as of the end of the previous fiscal year	30,191	27,650
Increase/decrease occurred during the fiscal year		
Dividends paid	-865	-861
Net profit/loss for the fiscal year	-1,458	2,964
Acquisition of treasury shares	-217	-0
Total increase/decrease during the fiscal year	-2,541	2,103
Balance as of the end of the fiscal year	27,650	29,753
Valuation and translation adjustments.		
Unrealized gains/loss on other securities		
Balance as of the end of previous fiscal year	78	54
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	-24	116
Total increase/decrease during the fiscal year	-24	116
Balance as of the end of the fiscal year	54	171
Total valuation and translation adjustments		
Balance as of the end of the previous period	78	54
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	-24	116
Total increase/decrease during the fiscal year	-24	116
Balance as of the end of the fiscal year	54	171
Total net assets		
Balance as of the end of previous fiscal year	30,270	27,705
Increase/decrease occurred during the fiscal year		
Dividends paid	-865	-861
Net profit/loss for the fiscal year	-1,458	2,964
Acquisition of treasury stock	-217	-0
Net change in the items other than shareholders' equity	-24	116
Total increase/decrease during the fiscal year	-2,565	2,219
Balance as of the end of the fiscal year	27,705	29,924

4. Matters Related to Going Concern Assumption

Not applicable.

[Referential Data]**Referential Data on Consolidated Business Results for FY Ended March 31, 2009****(1) Commissions and fees earned****(a) Commissions and fees by sources**

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010	Change	
				%
Brokerage commissions	972	813	-159	-16.4
(Equities)	(964)	(806)	(-157)	(-16.3)
(Bonds)	(1)	(0)	(-0)	(-46.3)
Fees for underwriting, selling and sales solicitation to professional investors	15	2	-13	-85.6
(Equities)	(15)	(1)	(-13)	(-87.9)
(Bonds)	(-)	(0)	(0)	(-)
Fees for handling of offering, selling and sales solicitation to professional investors	273	417	144	52.9
Other fees	724	586	-137	-19.0
Total	1,986	1,820	-165	-8.3

(b) Commissions and fees by instruments

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010	Change	
				%
Equities	987	818	-169	-17.1
Bonds	23	2	-21	-91.0
Beneficiary certificates	314	560	246	78.6
Other	661	439	-221	-33.5
Total	1,986	1,820	-165	-8.3

(2) Gains/loss on trading

(Millions of yen)

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010	Change	
				%
Equities, etc.	494	2,406	1,911	386.2
Bonds, etc.	1,293	10,105	8,811	680.9
Other	-161	-62	99	-
Total	1,627	12,449	10,821	665.0

3. Volume/Value of Equity Trading (except trading in derivatives)

(Million shares/Millions of yen)

	FY ended Mar. 31, 2009 (A)		FY ended Mar. 31, 2010 (B)		(B)/(A) %	
	Number of shares	Trade value	Number of shares	Trade value	No. of shares	Trade value
Total	3,006	1,937,748	3,317	1,365,424	10.4	-29.5
(Agency)	(367)	(264,870)	(482)	(191,184)	(31.3)	(-27.8)
(Principal)	(2,639)	(1,672,878)	(2,835)	(1,174,240)	(7.4)	(-29.8)
(Agency)/Total (%)	12.2%	13.7%	14.5%	14.0%		
Total/TSE volume (%)	0.27%	0.18%	0.28%	0.18%		
Brokerage comm. per share	2.56 yen		1.55 yen			

4. Volume of Underwriting, Offering and Selling

(Million shares/Millions of yen)

		FY ended Mar. 31, 2009 (A)	FY ended Mar. 31, 2010 (B)	(B)/(A) %
Underwriti	Equities (Number of shares)	0	0	-67.4
	Equities (Yen volume)	584	37	-93.5
	Bonds (Face value)	2,000	-	-
	CPs, foreign instruments, etc.	-	-	-
Offering/selling	Equities (Number of shares)	0	0	-77.5
	Equities (Yen volume)	21,836	3,711	-83.0
	Bonds (Yen volume at face value)	35,831	233	-99.3
	Beneficiary securities	36,770	52,402	42.5
	CPs, foreign instruments, etc.	8,647	1,617	-81.3

5. Net Capital Regulation Ratio

(Millions of yen)

		FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Basic items	Total Capital (A)	27,331	28,381
Complementary items	Appraisal difference (appraisal profit) of other securities, etc.	54	171
	Financial instruments trading liability reserve	36	26
	Provision for doubtful debts	2	357
	Total (B)	94	555
Deductible assets	(C)	12,036	15,113
Unfixed net capital (A) + (B) - (C)	(D)	15,389	13,823
Amount of risk correspondents	Market risk correspondence	1,350	1,511
	Trade party risk correspondence	2,689	824
	Basic risk correspondence	1,373	1,948
	Total (E)	5,413	4,283
Net capital regulation ratio	(D)/(E) × 100%	284.2%	322.7%

6. Number of Board Members/Standing Statutory Auditors and Employees

	FY ended Mar. 31, 2009	FY ended Mar. 31, 2010
Number of Board members and statutory standing auditors	9	9
Number of employees	261	257

[Referential Data]

Non-consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Mar. 31, 2009	Qr. ended June 30, 2009	Qr. ended Sept. 30, 2009	Qr. ended Dec. 31, 2009	Qr. ended Mar. 31, 2010
I. Operating income	1,109	3,364	2,601	6,982	2,279
1. Commissions and fees	385	507	378	358	576
2. Gains or loss on trading	486	2,671	1,991	6,328	1,457
3. Interest and dividend income	237	185	232	294	244
II. Financial expenses	57	52	50	62	44
Net operating income	1,052	3,311	2,551	6,919	2,234
III. Operating Expenses	1,466	1,314	1,323	3,837	1,544
1. Transaction-related expenses	157	147	171	2,509	272
2. Personnel expenses	873	786	778	787	821
3. Real estate-related expenses	193	184	177	190	191
4. Data processing and office supplies	148	131	142	133	143
5. Depreciation and amortization	20	16	16	17	14
6. Miscellaneous taxes and dues	34	26	17	28	52
7. Provision for doubtful debts	1	—	0	143	—
8. Other	37	20	18	26	47
Operating profit/loss	—413	1,996	1,227	3,081	690
IV. Non-operating income	183	124	132	131	115
V. Non-operating expenses	2	13	4	0	3
Ordinary profit/loss	—232	2,107	1,356	3,212	801
VI. Extraordinary profit	27	13	—	6	2
VII. Extraordinary loss	41	3	49	1,847	388
Net profit/loss before taxes	—246	2,117	1,307	1,372	416
Corporate tax, residential tax and business tax	2	2	507	1,404	409
Adjustments for corporate tax, etc.	—125	320	—131	—357	93
Net profit/loss	—123	1,794	931	324	—86