

**ICHIYOSHI SECURITIES**  
**ANNUAL REPORT 2006**

## Financial Highlights

Ichiyoshi Securities Co., Ltd. and subsidiaries for the fiscal years ended March 31, 2006 and 2005. Figures in millions of yen and thousands of U.S. dollars except for per share earnings and dividends.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2006	2005	2006
Operating Revenue	¥ 27,569	¥ 21,734	\$234,693
Operating income	9,785	5,416	83,298
Net income	5,757	4,967	49,009
Per share of common stock:			
Net income			
Basic	¥ (122.64)	¥ (107.14)	\$ (1.04)
Cash dividends	100.00	30.00	0.85
Total assets	¥ 88,736	¥ 62,669	\$ 755,395
Shareholders' equity	40,571	35,592	345,380

Note: U.S. dollar amounts represent translations at the rate of ¥117.47 = U.S.\$1, the exchange rate at the end of March 31, 2006.

## Contents

Message from the President .....	1
State of Ichiyoshi Group.....	4
Ichiyoshi's Corporate Governance .....	5
Management's Discussion and Analysis.....	10

### Consolidated Financial Statements

Report of Independent Auditors .....	14
Consolidated Balance Sheets.....	15
Consolidated Statements of Income .....	17
Consolidated Statements of Shareholders' Equity .....	18
Consolidated Statements of Cash Flows .....	20
Notes to Consolidated Financial Statements .....	22

Board of Directors and Executive Officers .....	44
Consolidated Subsidiaries .....	44
Corporate Data .....	45
Major Shareholders .....	45

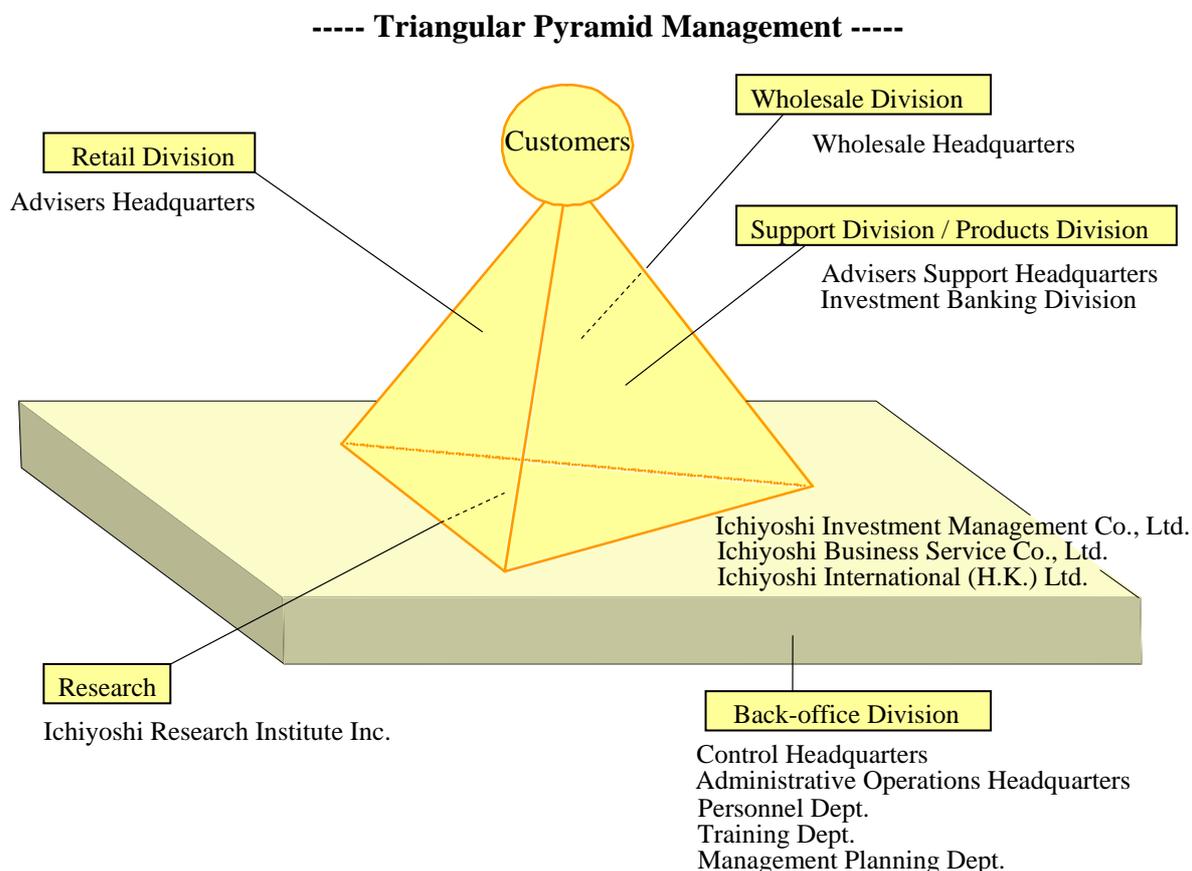
## Message from the President

### Basic Policy

As we recorded our 55<sup>th</sup> anniversary of incorporation in the fiscal year ended March 31, 2006, we have redefined our management philosophy and action guidelines. Our new business-management philosophy is to “Remain a firm of customers’ trust and choice.” To realize this philosophy, we will make it a management objective to build a “Name-brand boutique house” in the finance and securities industry, and keep up our long-term growth. Our action guidelines are “Gratitude, Integrity, Courage, Promptness and Continuity” and “Long-term Good Relation,” all of which will form a basis for our missionary efforts to contribute to the benefit of our shareholders, customers, employees and the community as a whole, and to grow as a securities firm worthy of our stakeholders’ long-term trust.

### Triangular Pyramid Management

We are 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 and enhance the co-working synergy of all the divisions. This synergistic process will also raise the quality of our products, information and customer services, thereby further contributing to our customers’ asset-building and fund-raising.



### **Appropriation of Earnings**

One of our core management policies is to make an appropriate earnings distribution to our shareholders in accordance with the business result we achieve.

With respect to dividend payment, our basic policy is to determine a final amount of dividend flexibly, depending upon the level of earnings, while targeting a certain payout ratio. Effective from the fiscal year ended March 31, 2006, we have targeted a payout ratio of approximately 40%, up from the previous 30%.

Hence, for the fiscal year ended March 31, 2006, we already paid an interim dividend of 15 yen per share to shareholders of record as of September 30, 2005 (as against an interim dividend of 14 yen per share year-earlier), and intend to pay a final dividend of 30 yen per share to shareholders of record as of March 31, 2006 (as against a final dividend of 16 yen per share year-earlier). In addition, we intend to pay a special dividend of 55 yen per share commemorating our 55<sup>th</sup> anniversary of incorporation to shareholders of record as of March 31, 2006. Thus, the total amount of dividend payment per share for the fiscal year ended March 31, 2006 will amount to 100 yen.

With respect to the listing status of our stock, it was assigned to the First Sections of the Tokyo Stock Exchange and the Osaka Stock Exchange effective from March 1, 2006. Commemorating this assignment, our Board of Directors have already provisionally decided to make a special dividend payment of 20 yen per share, 10 yen of which will be paid to shareholders of record as of September 30, 2006, and the remaining 10 yen will be paid to shareholders of record as of March 31, 2007.

### **Lowering of Minimum Trading Unit of Ichiyoshi Shares**

The minimum trading unit of Ichiyoshi shares was lowered to 100 shares, from the previous 1,000 shares, effective from May 2, 2005 to expand our shareholder base and increase market liquidity for the shares. The trading unit of Ichiyoshi shares will continue to be considered from all angles, including the level of share price and the promotion of long-term holding.

### **New Medium-term Management Plan**

The flow of funds from “savings” to “investments” has been accelerating in the Japanese securities and financial community, prompted by the government’s efforts to improve on investment environments: the preferable securities taxation system, the lifting of ban on securities business agency, the abolition of government guarantee on deposits for a principal above 10 million yen and the launching of investment fund sales at Postal Offices, among others. The business environment for Ichiyoshi has thus been undergoing a substantial change.

To take advantage of such an environmental change, we at Ichiyoshi carried out our medium-term management plan, in which we aimed to attain, among others, customers’ assets in our custody of 1 trillion yen by March 31, 2005. We achieved this aim earlier than the target date as customers’ assets in our custody grew to 1.2003 trillion yen as at September 30, 2004. Consequently, we made our new medium-term management plan starting October, 2004, to remain among winners in the ever-competitive financial world.

Under our new medium-term management plan, which started in October, 2004, we aim to attain customers’ assets in our custody of 2 trillion yen and return on equity of approximately 15%, among others, by March 31, 2007.

The target of the new medium-term management plan (Oct 2004 ~ Mar2007) and actual results for the fiscal year ended Mar.2006 are as follows:

Item	New Medium-Term Management Plan Target	Results of FY2006 (Ended Mar.2006)
(1)Customers' assets under custody	2 trillion yen	1.974 trillion yen
(2)Cumulative No. of companies for which Ichiyoshi acted as managers for share offers:(No. of lead managements)	800 (40)	743 (23)
(3)Return on equity	Approx.15%*	14.5%**

\*= Return on equity for the fiscal year ended March 31, 2007.

\*\*= Return on equity for the fiscal year ended March 31, 2006.

### Challenges to Be Tackled

We at Ichiyoshi are aiming to build a “securities firm of a type heretofore unseen in Japan,” standing by our business-management philosophy of “Remaining a firm of customers’ trust and choice.” In order to attain this aim, we have made it a management objective to create a “Name-brand boutique house” in the finance and securities industry, which will specialize in providing financial services to small-and medium-sized growth companies (where our forte lies), including venture businesses, and promoting our relationship of trust with high-net worth customers as their asset-building adviser.

Specifically, we will further expand customers’ assets in our custody, which is a barometer of customers’ trust in Ichiyoshi, reinforce asset-management services geared to market changes, and enhance our investment banking services meeting varying needs of small-and medium-sized growth companies, including venture businesses, for their IPO’s, M& A’s, employers’ insurance policies, etc.

We have also been promoting new fields of business, such as agency for variable insurance policy sales, a stock-borrowing program with customers and tie-ups with securities business agents. In addition to those, from next fiscal year we will start wrap account services to satisfy customers’ needs for asset management by offering them various investment tools.

### Matters relating to Parent Company

Since Ichiyoshi has no parent company, description is omitted.



**Masashi Takehi**  
President and Representative Director

## State of Ichiyoshi Group

The Ichiyoshi group, consisting of Ichiyoshi Securities Co., Ltd. (“Ichiyoshi”) and its four consolidated subsidiaries, is principally engaged in investment and financial services chiefly associated with securities.

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 and financial businesses. Through such engagement, Ichiyoshi provides services meeting customers’ needs for fund management and fund-raising.

In conjunction with the above-mentioned activities by Ichiyoshi, the four consolidated subsidiaries perform their respective functions: Ichiyoshi Research Institute Inc. undertakes research and data/information collection relating to small- and medium-sized growth companies and provides IR services to Ichiyoshi’s client companies; Ichiyoshi Investment Management Co., Ltd. provides asset-management services through investment consulting and discretionary-account management; Ichiyoshi Business Service Co., Ltd. undertakes peripheral services for the Ichiyoshi group, provides real estate renting/broking/management services and deals in office supplies and goods; and Ichiyoshi International (H.K.) Ltd. is engaged in securities transactions in Hong Kong..

### List of 5 Companies in the Ichiyoshi Group

Domestic companies:

Parent company: **Ichiyoshi Securities Co., Ltd.**

Consolidated subsidiaries:

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

**Ichiyoshi Investment Management Co., Ltd.** – investment advisory services  
(94.4% owned, of which 3.8% is indirectly owned)

**Ichiyoshi Business Service Co., Ltd.** – property renting/management, sales of office supplies, etc.  
(100.0% owned)

Overseas subsidiary:

Consolidated subsidiary:

**Ichiyoshi International (H.K.) Ltd.** – securities business  
(100.0% owned)

At its meeting on April 28, 2006, the Board of Directors of the Company resolved to split off the IR (investor relations) consultancy division of Ichiyoshi Research Institute Inc. as a separate entity. The new entity, called Ichiyoshi IR Institute, was formally incorporated as a wholly-owned subsidiary of the Company on July 3, 2006.

## **Ichiyoshi's Corporate Governance**

### (1) Basic Attitude towards Corporate Governance

We have made corporate governance one of our management priorities to secure the transparency and flexibility of decision-making and the prompt execution and effectiveness of business decisions and to strengthen supervision over management and business executions.

We have adopted the executive officer system and appointed an independent outside auditor since 1998 and appointed an independent outside director since 2000. Following the amendment to the Commercial Code, we moved to the so-called a "committees-based company system" in June 2003 to enhance the mobility and transparency of management, to facilitate prompt business execution and to strengthen management's capability of supervision. Thus, we have in place three law-based committees: the "Nominating Committee," the "Audit Committee" and the "Remuneration Committee," in each of which the outside directors account for the majority.

Development of our corporate governance reforms:

April, 1998: Promotion of prompt decision-making and execution thereof by appointment of executive officers.

June, 1998: Reinforcement of the Statutory Auditors Committee by appointment of an attorney-at-law as an independent outside auditor.

May, 2000: Reinforcement of IR activities by holding two business result-presentation meetings for individual investors and analysts.

June, 2000: Reinforcement of the Board of Directors by appointment of a certified public accountant as an independent outside director.

November, 2000: Clearer assessment of personnel performances by establishment of a remuneration committee whose members included an independent outside director and an outside statutory auditor.

June, 2001: Holding of shareholders' meeting on Saturday, and a get-together meeting with shareholders immediately after the shareholders' meeting.

June, 2003: Ichiyoshi moved to the so-called "committees-based company system."

March, 2004: Introduction of the internal whistle-blowing system.  
Abolition of the Officers' Severance Benefit System.

January, 2005: Setting up of the Information Disclosure Committee.

February, 2005: Setting up of the Audit Office directly supporting the Audit Committee.

June, 2005: Setting up of the Internal Control Committee..

August, 2005: Setting up of the BCP (business continuity planning) Committee.

November, 2005: Re-organization of the Audit Office as the Internal Audit Department under direct control of a representative executive officer.

January, 2006: Setting up of the Outside Experts Committee.

May, 2006: Setting up of the Audit Committee Office under direct control of the Audit Committee.

(2) Explanation of each corporate organ and improvement on internal control system

(i) Basic functions of each corporate organ and internal control system

Ichiyoshi is a committees-based company and the functions of each organ, committee and department are as follows:

The Board of Directors of Ichiyoshi consists of 8 directors, of whom 5 assume their respective roles of executive officers, including the chief executive president, 2 are independent outside directors, and 1 is a non-executive director. The Board of Directors adopts resolutions on matters prescribed in the Articles of Incorporation and stipulated by laws and ordinances, makes decisions, or gives approvals on, management policy and important matters relating to business executions and oversees the execution of duties by directors and executive officers.

The Executive Officers Committee of Ichiyoshi, consisting of 16 executive officers, executes business decisions in line with Ichiyoshi's management policy, follows up such executions and coordinate inter-headquarters and inter-departmental affairs.

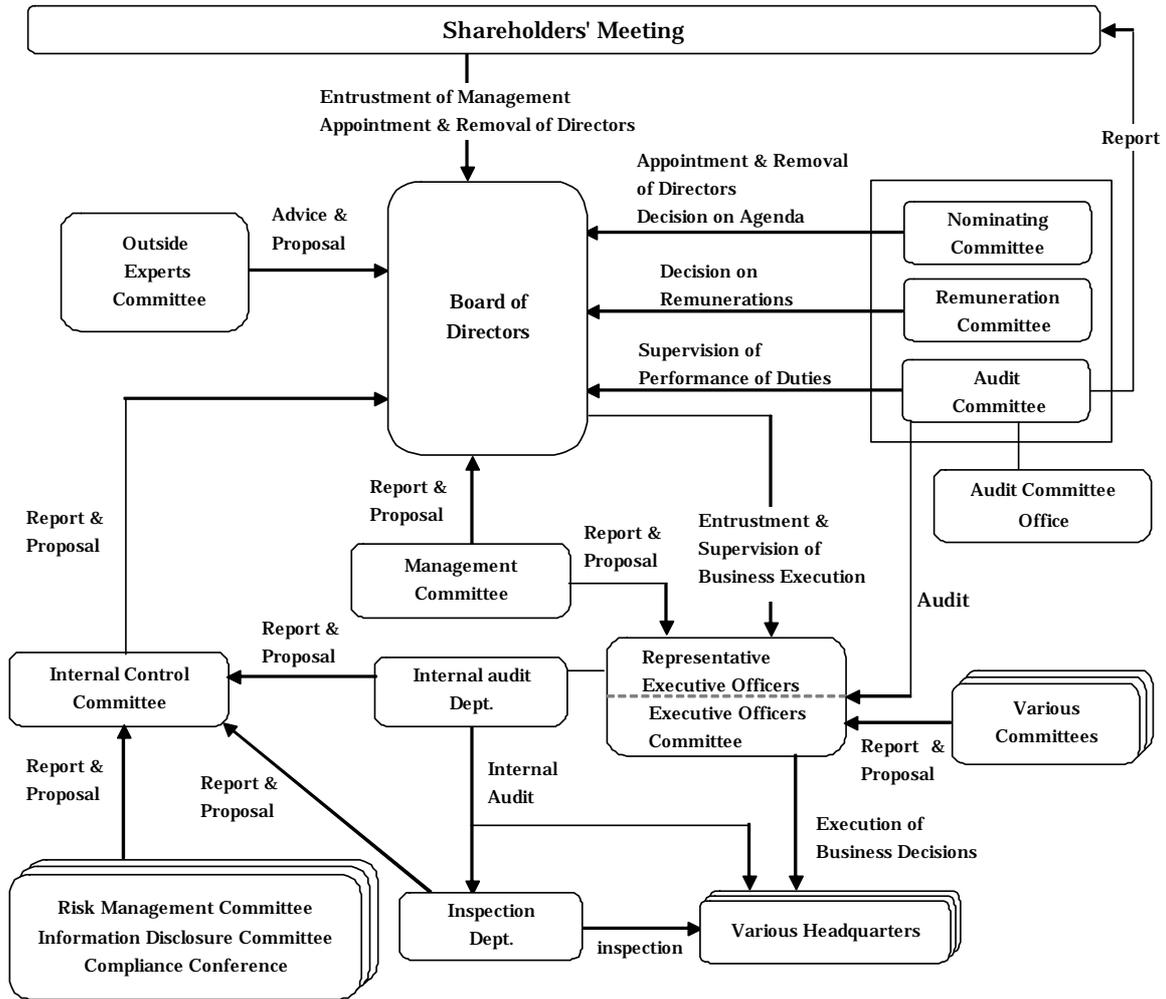
Each of the three committees (the Nominating Committee, the Remuneration Committee and the Audit Committee) has its authority to act independently. The Nominating Committee makes decisions on matters of appointment and removal of directors to be referred to the shareholders' meeting. The Remuneration Committee makes decisions on remunerations of directors and executive officers. The Audit Committee checks on whether directors and executive officers are performing their respective duties in a proper way, thereby enhancing management-supervising function. To make improvements on internal audit operations and research thereon, Ichiyoshi has in place the Audit Committee Office which boosts the functions of the Audit Committee.

With respect to improvements on internal control system, Ichiyoshi set up the Internal Control Committee in June 2005, and re-organized the Audit Office under direct control of the Audit Committee as the Internal Audit Department under direct control of a representative executive officer in November 2005. To strengthen the power and functions of the Internal Control Committee, Ichiyoshi revised its member formation by appointing 5 executive officers who are also directors, 1 director and 7 staff members. Furthermore, Ichiyoshi has made the Risk Management Committee, Information Disclosure Committee and the Compliance Committee report their activities to the Internal Control Committee which functions as their upper body. In January, 2006, Ichiyoshi set up the Outside Experts Committee which provides advices and proposals on matters concerning Ichiyoshi's management of business. Ichiyoshi has in place the Internal Whistle-blowing System to prevent improper or illegal happenings in advance.

In August, 2005, Ichiyoshi set up the BCP Committee (Business Continuity Planning Committee) to ensure the continuation of business in time of disasters.

With respect to financial auditing as required under the Commercial Code and the Securities Exchange Law, we have an auditing contract with Shin Nihon & Co. The Audit Committee maintains a close relationship with certified public accountants at Shin Nihon & Co. by exchanging views and information on auditing program and procedures, audit report, etc. on a regular basis.

(ii) Structure for Management, Execution, Supervision and Corporate Governance



(iii) Activities of each organ and committee

In the fiscal year ended March 31, 2006, the Board of Directors held 21 meetings and resolved on basic management policies, business result, appropriation of profit, convocation of shareholders' meeting and agenda thereat, interim dividends, and other business matters of importance.

The Executive Officers Committee held 22 meetings, making business executions in line with the Board of Directors' decisions, following up on such executions and making inter-headquarters and inter-departmental coordinations. The Committee also made decisions on personnel and organizational changes and revisions of internal rules.

The outlines of activities of other several committees are as follows:

Name of committee	Members	Meeting frequency Per annum	Functions
Nominating Committee	Chief Executive Officer (director) 2 outside directors	3 times	Nomination of directors
Audit Committee	1 director 2 outside directors Secretariat	13 times	Supervision of execution of duties by directors and executive officers; Enhancement of corporate governing function; Audit of internal control system
Remuneration Committee	Chief Executive Officer (director) 2 outside directors	6 times	Decision on remunerations for directors & executive Officers
Internal Control Committee	1 executive director 1 director 3 executive officers 2 Audit Committee members Secretariat	10 times	Review of individual matters of importance concerning internal control. Guidance on internal control.
Compliance Committee (Now called Compliance Conference)	1 executive director 1 Audit Committee member 3 executive officers Secretariat	12 times	Though enforcement of compliance in business executions
Risk Management Committee	1 executive director 1 Audit Committee member 3 executive officers Secretariat	9 times	Assessment of all kinds of risk surrounding Ichiyoshi
Information Disclosure Committee	2 executive directors 2 executive officers Secretariat	17 times	Review of disclosure contents

(3) Remunerations to directors and executive officers in the fiscal year ended March 31, 2006 (in millions of yen)

	Annual Remuneration to directors	Annual remuneration to executive officers	Total
Non-outside	336 (7 directors)	337 (12 officers)	674
Outside	51 (2 directors)	--	51
Total	387 (9 directors)	337 (12 officers)	725

(4) Fees to accountants (in millions of yen)

Fees for auditing as prescribed by Article 2-1 of Certified Public Accountant Law:	23
Fees for inspection work on segregated custody of customers' assets:	4
Fees for assistance on preparation of documents for application for assignment to First Sections of Tokyo Stock Exchange and Osaka Stock Exchange:	5
<b>Total</b>	<b>33</b>

- (5) Outline of relationship between Ichiyoshi and outside directors as regards their personal, capital, business and other related matters

The two outside directors of Ichiyoshi are not from the Ichiyoshi group and have no capital relationship with the Ichiyoshi group other than their holdings of Ichiyoshi shares. However, Ichiyoshi has a legal advisory contract with a legal firm to which one of the outside directors belongs.

- (6) Matters relating to financial audit;

- (i) Name of auditing firm, names of certified public accountants concerned and number of years of their service:

Name of auditing firm	Names of accountants	Number of years of Service
Shin Nihon & Co.	Takashi Shigematsu (Designated partner) (Auditing partner)	15 years
	Mikio Konishi (Designated partner) (Auditing partner)	Less than 7 years

Note: Shin Nihon & Co. has voluntarily adopted an rotating system for auditing partners before the effectiveness of new rules on accountants' rotation under the Certified Public Accountant Law and the introduction of the self-rules on accountants' rotation by the Certified Public Accountants Association of Japan. According to Shin Nihon's rotation system, the above-mentioned accountants are to be replaced by other accountants in the firm after they have audited Ichiyoshi's financial statements for the fiscal year ending March 31, 2007, but the firm currently plans to make such replacements after their auditing of Ichiyoshi's financial statements for the fiscal year ending March 31, 2006.

- (ii) Number of staff assisting audit:

Certified public accountants:	4
Probationary accountants:	3
Other:	1

## Management's Discussion and Analysis

In the fiscal year ended March 31, 2006, business investments increased on the back of steady corporate earnings. Employment and personal income also improved, sustaining a steady increase in consumption expenditure, in a sign of smooth economic recovery.

While the stock market got off to a bearish start on concerns over the U.S. economic outlook, it started to show signs of strong recovery in August with an active foreign investors-led participation as the government and the Bank of Japan declared, "The Japanese economy has got out of the lull." The Nikkei Stock Average of the Tokyo Stock Exchange recovered its 17,000 yen level for the first time in 5 years and 7 months, and ended the term on a rising trend.

The average daily turnover on the Tokyo Stock Exchange during the fiscal year ended March 31, 2006, was 2,403.4 billion yen, up 68.7% over the previous fiscal year ended March 31, 2005, and that on the JASDAQ market was 100.3 billion yen, up 79.2%.

Against such background, we at Ichiyoshi, standing by our business-management philosophy of "Remaining a firm of customers' trust and choice," promoted our investment-advising activities, flexibly following market environments. In our investment-advising activities, we concentrated our efforts on promotion of stocks, mostly small- and -medium-sized growth stocks where Ichiyoshi's forte lies, and distribution of equity investment funds. We were also actively engaged in equity underwriting and insurance policy sales, thereby meeting varying needs of small- and medium-sized growth companies and venture businesses.

Consequently, net operating revenue for the fiscal year ended March 31, 2006 amounted to 27,383 million yen, up 27.1% from the previous fiscal year ended March 31, 2005. Operating cost and expenses recorded 17,598 million yen, up 9.2%. Hence, current income registered 9,855 million yen, up 79.9%. Customers' assets in our custody at the end of the fiscal year (March 31, 2006) stood at 1.974 trillion yen, up 38.0% from March 31, 2005.

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

### **1. Commissions**

Total commissions for the fiscal year ended March 31, 2006 amounted to 24,481 million yen, up 27.7% from the previous fiscal year ended March 31, 2005.

#### **(1) Brokerage commissions**

Total brokerage commissions on stocks increased 16.4% to 13,346 million yen. Of these commissions, those on small- and medium-cap stocks (consisting of stocks listed on Second Sections of TSE and OSE, Mothers, Hercules and JASDAQ ) accounted for 35.9%.

#### **(2) Commissions from underwriting**

In the primary market, we managed 28 initial public offerings (IPO's), of which two were lead-managed by Ichiyoshi, as against 41 IPO's (of which three were lead-managed by Ichiyoshi) in the previous fiscal year. In the secondary market (for follow-on financing), we participated in 33 deals on a management or underwriting basis (of which 2 were lead-managed by Ichiyoshi), as against 52 in the previous fiscal year. As a result, total commissions from underwriting of stocks and bonds recorded 1,028 million yen, up 9.9%.

The cumulative number of companies whose offerings were lead- or co-managed by Ichiyoshi stood at 743 (of which 23 were lead-managed by Ichiyoshi) as of March 31, 2006.

**(3) Commissions from distribution**

Commissions from distribution increased 47.8% to 5,097 million yen as commission from distribution of investment trust funds, mostly funds which pay income monthly, grew 51.9% to 5,068 million yen.

**(4) Commissions from other sources**

As the outstanding balance of investment trust funds grew 37.7% to 754.0 billion yen as of March 31, 2006, Ichiyoshi's receipt of trustee fees rose 41.8% to 4,178 million yen. With contributions from sales commissions on employer's insurance policies and IPO assistance fees, commissions from other sources increased 51.2% to 4,984 million yen.

**2. Gains or loss on trading**

Trading on stocks, etc. recorded gains of 1,398 million yen, up 67.4%, but trading on bonds, foreign exchange, etc. registered gains of 499 million yen, down 22.0%, reflecting a drop in sales of foreign bonds. Consequently, total gains on trading amounted to 1,897 million yen, up 28.6%.

**3. Interest and dividend income**

Interest and dividend income rose 35.8% to 766 million yen, reflecting an increase in advances for margin purchases, while interest expenses declined 5.0% to 186 million yen. As a result, net interest and dividend income increased 57.6% to 579 million yen.

**4. Operating cost and expenses**

Operating cost and expenses grew 9.2% to 17,598 million yen as variable cost items, such as personnel expenses and outsourcing expenses, rose in keeping with an increase in brokerage transactions and also as real estate-related expenses increased in connection with branch office renewals and layout changes at the head office.

As a result of these activities, current income for the fiscal year ended March 31, 2006 recorded 9,855 million yen, up 79.9%.

**5. Extraordinary income and loss**

We recorded an extraordinary income of 190 million yen mainly from sales of investment securities. Among extraordinary losses, which totaled 214 million yen, were a valuation loss of 56 million yen on investment securities, a transfer of 61 million yen to reserve for securities transaction liabilities and a write-off of 74 million yen on fixed assets. As a result, net extraordinary loss amounted to 23 million yen.

After allowing for extraordinary income and loss, income before taxes and minority interests for the fiscal year ended March 31, 2006, recorded 9,831 million yen, up 84.3%, and net income (after deduction of taxes totaling 4,416 million yen and minority interests and after addition of tax adjustments totaling 357 million yen) registered 5,757 million yen, up 15.9%.

**6. Cash flow**

Cash flow from operating activities for the fiscal year ended March 31, 2006 amounted to 3,861 million yen, an increase of 1,485 million yen over the previous fiscal year. Main contributors were an increase in income before taxes and minority interests and an increase in cash payable to customers and deposits from customers. Main negative factors were an increase in advances for margin purchases and an increase in income tax payments. Cash flow from investing activities registered a negative figure of 2,289

million yen, a decline of 2,156 million yen, due chiefly to the acquisition of tangible fixed assets and investment securities. Cash flow from financing activities recorded a negative figure of 1,287 million yen, a decline of 47 million yen, mainly as dividend payments occurred.

After all these activities, the amount of cash and cash equivalents as of March 31, 2006, stood at 13,850 million yen, an increase of 291 million yen from the end of the previous fiscal year (March 31, 2005).

## **7. Financial condition**

As of March 31, 2006, total assets stood at 88,736 million yen, and shareholders' equity at 40,571 million yen. Hence, shareholders' equity ratio registered 45.7%, and capital adequacy ratio, as defined by the securities regulator, recorded 540.3%.

## **8. Risks relating to business**

There exist the following risks relating to the business performance and financial condition of the Ichiyoshi group:

### (1) Market risk

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

### (2) System risk

The online system employed by the Ichiyoshi group is provided under contract by Nomura Research Institute, Inc. There is a possibility that the group's business will be adversely affected to varying degrees by troubles with circuit, hardware and software employed, improper accesses from outside by computer viruses, disasters, electricity blackouts and other related causes.

### (3) Confidential information risk

There is a possibility that, if confidential information held by the group's officers and employees should leak or confidential information on the group should leak from outside contractors, the group would face a claim for damages as a result of losing customers' trust or experience a decline in its commission revenue.

### (4) Litigation

During the fiscal year ended March 31, 2006, there was no pending litigation materially affecting the group's business.

**Consolidated Financial Statements**

**Ichiyoshi Securities Co., Ltd. and  
Consolidated Subsidiaries**

*Years ended March 31, 2006 and 2005  
with Report of Independent Auditors*

## Report of Independent Auditors

The Board of Directors  
Ichiyoshi Securities Co., Ltd.

We have audited the accompanying consolidated balance sheets of Ichiyoshi Securities Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ichiyoshi Securities Co., Ltd. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

### *Supplemental Information*

As described in Note 2(6), the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets effective April 1, 2004 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shinnihon*

Osaka, Japan  
June 24, 2006

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2006 and 2005

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
<b>Assets</b>			
Cash and cash deposits:			
Cash and time deposits (Note 21)	¥ 13,948	¥ 13,610	\$ 118,738
Deposits with stock exchanges and other segregated cash in trust (Note 3)	5,074	4,597	43,196
	<u>19,022</u>	<u>18,207</u>	<u>161,934</u>
Loans and receivables:			
Customers (Note 4)	50,812	29,815	432,552
Short-term loans receivable	36	52	304
Accrued income	1,262	767	10,739
Other	924	756	7,865
	<u>53,034</u>	<u>31,390</u>	<u>451,460</u>
Less: allowance for doubtful accounts	(61)	(26)	(523)
	<u>52,973</u>	<u>31,364</u>	<u>450,937</u>
Short-term guarantee deposits	1,900	1,900	16,174
Trading assets (Notes 5 and 8)	897	999	7,640
Cash paid for subscriptions	1,998	1,315	17,009
Other assets:			
Buildings, equipment and land (Note 12)	8,385	7,915	71,381
Less: accumulated depreciation	(3,823)	(3,649)	(32,545)
	<u>4,562</u>	<u>4,266</u>	<u>38,836</u>
Investment securities (Notes 6 and 8)	4,289	1,931	36,511
Long-term loans receivable	68	83	579
Lease deposits	1,203	1,192	10,245
Deferred income taxes (Notes 11)	1,067	702	9,086
Other	757	710	6,444
	<u>11,946</u>	<u>8,884</u>	<u>101,701</u>
Total assets	<u>¥ 88,736</u>	<u>¥ 62,669</u>	<u>\$ 755,395</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
<b>Liabilities and shareholders' equity</b>			
Loans:			
Short-term loans ( <i>Notes 7 and 8</i> )	¥ 580	¥ 580	\$ 4,937
Loans from securities finance companies for margin transactions ( <i>Notes 8 and 10</i> )	32,066	15,396	272,967
	<u>32,646</u>	<u>15,976</u>	<u>277,904</u>
Payables:			
Customers ( <i>Note 4</i> )	5,333	5,590	45,395
Other	3,280	1,963	27,922
	<u>8,613</u>	<u>7,553</u>	<u>73,317</u>
Accrued liabilities and expenses:			
Accrued income taxes ( <i>Note 11</i> )	3,738	1,249	31,825
Accrued bonuses to employees	1,012	691	8,620
Accrued retirement benefits ( <i>Note 15</i> )	441	471	3,755
Reserve for point service program	380	260	3,235
Other	586	564	4,987
	<u>6,157</u>	<u>3,235</u>	<u>52,422</u>
Trading liabilities ( <i>Note 5</i> )	2	2	17
Deferred tax liabilities ( <i>Notes 11 and 12</i> )	441	83	3,755
Statutory reserve ( <i>Note 13</i> )	257	195	2,185
Total liabilities	<u>48,116</u>	<u>27,044</u>	<u>409,600</u>
Minority interests	49	33	415
Shareholders' equity ( <i>Note 14</i> ):			
Common stock:			
Authorized: 168,159,000 shares at March 31, 2006			
Issued: 48,036,086 and 47,986,086 shares at March 31, 2006 and 2005, respectively	14,555	14,548	123,907
Capital surplus	11,302	11,290	96,215
Retained earnings ( <i>Note 22</i> )	16,230	11,927	138,166
Difference on land revaluation ( <i>Note 12</i> )	(2,000)	(2,000)	(17,026)
Net unrealized holding gain on securities	822	312	6,994
Treasury stock	(338)	(485)	(2,876)
Total shareholders' equity	<u>40,571</u>	<u>35,592</u>	<u>345,380</u>
Total liabilities and shareholders' equity	<u>¥ 88,736</u>	<u>¥ 62,669</u>	<u>\$ 755,395</u>

See accompanying notes to consolidated financial statements.

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2006 and 2005

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Revenue:			
Commission (Note 16)	¥ 24,481	¥ 19,178	\$ 208,406
Financial income	766	564	6,522
Gain on securities trading and other	1,898	1,475	16,155
Other	424	517	3,610
	<u>27,569</u>	<u>21,734</u>	<u>234,693</u>
Operating expenses:			
Operating costs and expenses (Note 17)	17,598	16,122	149,810
Financial expenses	186	196	1,585
Operating income	<u>9,785</u>	<u>5,416</u>	<u>83,298</u>
Other income (loss):			
Gain on sales of investment securities, net	190	436	1,619
Loss on devaluation of investment securities	(56)	(8)	(480)
Loss on impairment of fixed assets	—	(389)	—
Other, net	(88)	(121)	(744)
Income before income taxes and minority interests	<u>9,831</u>	<u>5,334</u>	<u>83,693</u>
Income taxes (Note 11):			
Current	4,416	1,261	37,593
Deferred	(357)	(898)	(3,041)
Income before minority interests	<u>5,772</u>	<u>4,971</u>	<u>49,141</u>
Minority interests	(15)	(4)	(132)
Net income	<u>¥ 5,757</u>	<u>¥ 4,967</u>	<u>\$ 49,009</u>

See accompanying notes to consolidated financial statements.

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2006 and 2005

	<i>Millions of yen</i>						
	Number of shares of common stock in issue	Common stock	Capital surplus	Retained earnings	Difference on land revaluation	Net unrealized holding gain on securities	Treasury stock
<b>Balance at March 31, 2004</b>	47,619,086	¥ 14,496	¥ 11,229	¥ 8,490	¥ (1,117)	¥ 124	¥ (701)
Net income for the year	-	-	-	4,967	-	-	-
Cash dividends	-	-	-	(1,569)	-	-	-
Gain on disposition of treasury stock	-	-	9	-	-	-	-
Issuance of new shares	367,000	52	52	-	-	-	-
Reversal of revaluation of land	-	-	-	39	-	-	-
Revaluation of land (Note 12)	-	-	-	-	(883)	-	-
Change in net unrealized holding gain on securities	-	-	-	-	-	188	-
Decrease in treasury stock	-	-	-	-	-	-	216
<b>Balance at March 31, 2005</b>	<u>47,986,086</u>	<u>¥ 14,548</u>	<u>¥ 11,290</u>	<u>¥ 11,927</u>	<u>¥ (2,000)</u>	<u>¥ 312</u>	<u>¥ (485)</u>
Net income for the year	-	-	-	5,757	-	-	-
Cash dividends	-	-	-	(1,454)	-	-	-
Gain on disposition of treasury stock	-	-	5	-	-	-	-
Issuance of new shares	50,000	7	7	-	-	-	-
Change in net unrealized holding gain on securities	-	-	-	-	-	510	-
Decrease in treasury stock	-	-	-	-	-	-	147
<b>Balance at March 31, 2006</b>	<u>48,036,086</u>	<u>¥ 14,555</u>	<u>¥ 11,302</u>	<u>¥ 16,230</u>	<u>¥ (2,000)</u>	<u>¥ 822</u>	<u>¥ (338)</u>

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity (continued)

*Thousands of U.S. dollars (Note 1)*

	Common stock	Capital surplus	Retained earnings	Difference on land revaluation	Net unrealized holding gain on securities	Treasury stock
<b>Balance at March 31, 2005</b>	\$123,846	\$96,112	\$101,532	\$(17,026)	\$ 2,653	\$( 4,131)
Net income for the year	–	–	49,009	–	–	–
Cash dividends	–	–	(12,375)	–	–	–
Gain on disposition of treasury stock	–	43	–	–	–	–
Issuance of new shares	61	60	–	–	–	–
Change in net unrealized holding gain on securities	–	–	–	–	4,341	–
Decrease in treasury stock	–	–	–	–	–	1,255
<b>Balance at March 31, 2006</b>	<u>\$123,907</u>	<u>\$96,215</u>	<u>\$138,166</u>	<u>\$(17,026)</u>	<u>\$ 6,994</u>	<u>\$( 2,876)</u>

*See accompanying notes to consolidated financial statements.*

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2006 and 2005

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥ 9,831	¥ 5,334	\$ 83,693
Adjustments for:			
Depreciation and amortization	537	461	4,572
Loss on impairment of fixed assets	—	389	—
Valuation loss on telephone subscription rights	—	65	—
Increase in accrued bonuses to employees	321	3	2,734
Interest and dividend income	(84)	(83)	(719)
Reserve for point service program	120	70	1,021
Interest expense	10	9	86
Gain on sales of investment securities, net	(190)	(436)	(1,619)
Loss on devaluation of investment securities	56	8	480
Changes in operating assets and liabilities:			
Cash segregated for regulatory purposes and deposits with trust organizations	(476)	201	(4,052)
Short-term loans receivable	16	(16)	138
Trading assets and liabilities	96	1,509	813
Receivables and loans	(4,488)	(4,404)	(38,206)
Payables	1,169	(152)	9,955
Cash paid for subscriptions	(683)	(164)	(5,814)
Short-term guarantee deposits	—	(600)	—
Other, net	(405)	115	(3,455)
Subtotal	5,830	2,309	49,627
Interest and dividends received	84	83	719
Interest paid	(10)	(10)	(85)
Income taxes paid	(2,043)	(7)	(17,392)
Net cash provided by operating activities	3,861	2,375	32,869

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
<b>Investing activities:</b>			
Increase in investment securities	¥ (1,640)	¥ (55)	\$ (13,962)
Proceeds from sales of investment securities	284	653	2,418
Purchases of buildings, equipment and fixtures	(763)	(738)	(6,498)
Proceeds from sales of buildings, equipment and land	–	157	–
Increase in long-term loans receivable	(10)	(15)	(83)
Collection of long-term loans receivable	25	24	208
Increase in intangible assets	(184)	(158)	(1,570)
Other, net	0	–	0
Net cash used in investing activities	(2,288)	(132)	(19,487)
<b>Financing activities:</b>			
Proceeds from issuance of new shares	14	105	121
Proceeds from sales of treasury stock	158	272	1,344
Purchases of treasury stock	(6)	(47)	(46)
Cash dividends paid	(1,454)	(1,569)	(12,375)
Net cash used in financing activities	(1,288)	(1,239)	(10,956)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>6</b>	<b>3</b>	<b>51</b>
<b>Net increase in cash and cash equivalents</b>	<b>291</b>	<b>1,007</b>	<b>2,477</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>13,559</b>	<b>12,552</b>	<b>115,429</b>
<b>Cash and cash equivalents at end of the year (Note 21)</b>	<b>¥ 13,850</b>	<b>¥ 13,559</b>	<b>\$ 117,906</b>

See accompanying notes to consolidated financial statements.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

*March 31, 2006*

### **1. Basis of Preparation of Consolidated Financial Statements**

Ichiyoshi Securities Co., Ltd. (the “Company”) maintains its accounts and records in accordance with the provisions set forth in the Securities and Exchange Law of Japan, the Ordinance Concerning Securities Companies issued by the Cabinet Office of the Government of Japan, and the Uniform Accounting Standards prescribed by the Securities Dealers Association of Japan and in conformity with accounting principles generally accepted in Japan. Its consolidated overseas subsidiary maintains its accounts and records in accordance with generally accepted accounting principles prevailing in its country of domicile.

The accompanying financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law, which is different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. In preparing the accompanying financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2005 to the 2006 presentation. These reclassifications had no effect on consolidated net income or shareholders’ equity.

The accompanying financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and accounts have been eliminated in consolidation.

Any difference between the cost of an investment in a subsidiary and the amount of the Company’s underlying equity in its net assets is treated either as an asset or a liability and is amortized over a period of 5 years on a straight-line basis, with any immaterial differences charged to income as incurred.

A translation of the yen amounts into U.S. dollar amounts has been included, solely for the convenience of the reader, at ¥117.47 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2006. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies

#### (1) Foreign Currency Translation

Revenue and expense items arising from transactions denominated in foreign currencies are, in general, translated into yen at the rates in effect at the respective transaction dates. Gain or loss on foreign exchange is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

#### (2) Recording of Trading Assets and Liabilities and Recognition of Commission Income

Trading assets and liabilities, and commission income are recorded on the respective trading dates.

#### (3) Trading Assets and Liabilities

Trading assets and liabilities are recorded in the consolidated balance sheets on a trading date basis at fair value with the related gain or loss recorded in “gain on securities trading and other” in the consolidated statements of income. Fair value is, in general, based on market prices or on quotations.

#### (4) Investment Securities

Securities other than those of the Company’s subsidiaries and affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders’ equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### (5) Buildings and Equipment

Depreciation of buildings and equipment is calculated principally by the declining-balance method based on the estimated useful lives of the respective assets, except for buildings (other than structures attached to the buildings) acquired subsequent to April 1, 1998 to which the straight-line method is applied.

The useful lives of buildings and equipment are estimated principally as follows:

Buildings	3 to 50 years
Equipment	3 to 20 years

Major renewals and additions are capitalized at cost. Ordinary maintenance and repairs are charged to income as incurred. Equipment owned by the overseas consolidated subsidiary is depreciated by the straight-line method.

#### (6) Impairment of Fixed Assets

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets as early adoption of this standard was permitted commencing the fiscal year ending on or subsequent to March 31, 2004. The effect of the adoption of this standard was to decrease income before income taxes and minority interests by ¥389 million for the year ended March 31, 2005.

The losses on impairment of these assets has been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheets.

#### (7) Intangible Fixed Assets and Computer Software

Depreciation of intangible assets is computed principally by the straight-line method based on the estimated useful lives of the respective assets. Expenditures relating to costs of computer software intended for internal use are charged to income as incurred, unless these are deemed to contribute to generating future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life, generally a period of 5 years.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### (8) Leases

Non-cancelable leases are accounted for primarily as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

#### (9) Retirement Benefits

The Company and its consolidated subsidiaries principally have non-contributory defined benefit pension plans and retirement benefit plans.

Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

Prior service cost is amortized by the straight-line method over five years, which is within the estimated average remaining years of service of the eligible 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 eight years, which is within the estimated average remaining years of service of the eligible employees.

As part of a revision to our personnel system, effective May 1, 2004, the Company changed the method of calculation of employees' retirement benefits from a scheme based on the salary level at the time of retirement to a merit-based plan featuring individual performance points. The effect of this change on accrued retirement benefits to employees and on the statement of income for the year ended March 31, 2005 was insignificant.

On March 25, 2005, the Minister of Welfare and Labor authorized the liquidation of the Welfare Pension Fund Plan of the Japan Securities Dealers Association, of which the Company was a member, and liquidation procedures are now in process. This liquidation had no effect on the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005.

#### (10) Bonuses

The Company follows the Japanese practice of paying bonuses to its employees in June and December. "Accrued bonuses to employees" represents the estimated liability at the balance sheet date.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### (11) Reserve for Point Service Program

The Company offers a gift program to its customers based on the number of points which they accumulate. The Company provides a reserve for its point service program called "Ichiyoshi Point Service" at an estimate of the total costs which are expected to be incurred subsequent to the balance sheet date based on its historical data on utilization by customers.

#### (12) Income Taxes

Income taxes applicable to the Company and the domestic subsidiaries are provided based on the taxable income reported in the tax returns for the respective years. Certain temporary differences exist between taxable income and income reported for financial statement purposes and these differences enter into the determination of taxable income in a different period. The Company recognizes the tax effect of such temporary differences in its consolidated financial statements.

In accordance with a law on the amendment of local tax laws and so forth which went into effect on April 1, 2004, a domestic corporation with capital in excess of ¥100 million is subject to business scale taxation on the basis of the total amount of value added, the size of its capital and its taxable income. Based on the accounting standard for business scale taxation, the Company and certain of its domestic subsidiaries accounted for business scale taxation, with respect to the amounts of value added and capital, as a component of operating costs and expenses. Consequently, operating costs and expenses for the year ended March 31, 2005 increased by ¥116 million and operating income, income before income taxes and minority interests, and net income for the year ended March 31, 2005 decreased by ¥116 million.

#### (13) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks and other highly liquid investments with a maturity of three months or less when purchased.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### (14) Dividends

Under the Company with Committees, the appropriation of retained earnings is subject to approval by the Board of Directors.

Dividends are approved at a Board of Directors' meeting held subsequent to the end of the fiscal year. Shareholders of record at the end of each fiscal year are entitled to receive any dividends which relate to that year but which are declared and paid in the subsequent year. Of the retained earnings stated in the balance sheets at March 31, 2006, the amount not available for distribution as dividends, as stipulated in Article 124, Clause 3 of the Regulations of Enforcement of the Commercial Code of Japan, was ¥821 million (\$6,994 thousand).

### 3. Deposits with Stock Exchanges and Other Segregated Cash in Trust

Deposits with stock exchanges and other segregated cash in trust at March 31, 2006 and 2005 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Authorized regular members' association deposits	¥ 165	¥ 165	\$ 1,408
Cash segregated for regulatory purposes and deposits with trust organizations	4,860	4,384	41,372
Other	49	48	416
	<u>¥ 5,074</u>	<u>¥ 4,597</u>	<u>\$ 43,196</u>

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Receivables from and Payables to Customers**

Receivables from customers at March 31, 2006 and 2005 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Loans to customers for margin transactions	¥ 50,613	¥ 29,672	\$ 430,861
Advance payments from customers on trades	31	17	260
Cash deposited as collateral for securities borrowed	168	126	1,431
	<u>¥ 50,812</u>	<u>¥ 29,815</u>	<u>\$ 432,552</u>

The Company provides its customers with loans for trading securities on margin, which are collateralized by the securities resulting from such margin purchases until the settlement dates of the relevant transactions. Loans to customers for margin transactions presented above are stated at the purchase prices of the securities on the respective transaction dates.

Payables to customers at March 31, 2006 and 2005 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Temporary cash received for customers' trading accounts	¥ 2,503	¥ 2,855	\$ 21,307
Proceeds from securities sold for customers' margin transactions	997	1,077	8,489
Deposits received for securities loaned	156	281	1,329
Cash deposits received from customers for margin and derivatives transactions	1,677	1,377	14,270
	<u>¥ 5,333</u>	<u>¥ 5,590</u>	<u>\$ 45,395</u>

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**5. Trading Assets and Liabilities**

Trading assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2006 and 2005 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Trading assets:			
Stocks	¥ 0	¥ –	\$ 3
Bonds	790	892	6,726
Beneficiary certificates and other	107	107	911
	<u>¥ 897</u>	<u>¥ 999</u>	<u>\$ 7,640</u>
Trading liabilities:			
Forward foreign exchange contracts	<u>¥ 2</u>	<u>¥ 2</u>	<u>\$ 17</u>

**6. Investment Securities**

Investment securities classified as other securities at March 31, 2006 and 2005 were as follows:

	<i>Millions of yen</i>					
	<b>2006</b>			<b>2005</b>		
	Acquisition cost	Carrying value	Unrealized gain	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 1,357	¥ 2,610	¥ 1,253	¥ 149	¥ 625	¥ 476
Other	120	206	86	120	159	39
Subtotal	<u>1,477</u>	<u>2,816</u>	<u>1,339</u>	<u>269</u>	<u>784</u>	<u>515</u>
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	–	–	–	60	45	(15)
Subtotal	<u>–</u>	<u>–</u>	<u>–</u>	<u>60</u>	<u>45</u>	<u>(15)</u>
Total	<u>¥ 1,477</u>	<u>¥ 2,816</u>	<u>¥ 1,339</u>	<u>¥ 329</u>	<u>¥ 829</u>	<u>¥ 500</u>

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**6. Investment Securities (continued)**

	<i>Thousands of U.S. dollars</i>		
	<b>2006</b>		
	Acquisition cost	Carrying value	Unrealized gain
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 11,554	\$ 22,220	\$ 10,666
Other	1,022	1,755	733
Subtotal	<u>12,576</u>	<u>23,975</u>	<u>11,399</u>
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	—	—	—
Subtotal	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 12,576</u>	<u>\$ 23,975</u>	<u>\$ 11,399</u>

Investment securities with no determinable market value classified as other securities at March 31, 2006 and 2005 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Equity securities	¥ 550	¥ 606	\$ 4,682
Investment in limited partnership	923	496	7,854
Total	<u>¥1,473</u>	<u>¥1,102</u>	<u>\$12,536</u>

The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2006 and 2005 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Proceeds from sales	¥212	¥602	\$1,804
Gross realized gain	190	479	1,619
Gross realized loss	—	43	—

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**7. Short-Term Loans**

Short-term loans at March 31, 2006 and 2005 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Banks	¥ 330	¥ 330	\$ 2,809
Securities finance companies	150	150	1,277
Life insurance company	100	100	851
	<u>¥ 580</u>	<u>¥ 580</u>	<u>\$ 4,937</u>

**8. Assets Pledged as Collateral**

At March 31, 2006 and 2005, the following assets were pledged as collateral for short-term loans and loans from securities finance companies for margin transactions:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Trading assets	¥ –	¥209	\$ –
Investment securities	965	397	8,215
	<u>¥ 965</u>	<u>¥606</u>	<u>\$ 8,215</u>

**9. Information on Market Value of Securities Deposited or Received**

At March 31, 2006 and 2005, the market value of the Company's securities deposited by customers is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Securities loaned for margin transactions	¥ 1,103	¥ 1,117	\$ 9,393
Securities pledged as collateral for borrowings from securities finance companies for margin transactions	33,176	15,052	282,424
Other	831	553	7,072

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Information on Market Value of Securities Deposited or Received (continued)**

At March 31, 2006 and 2005, the market value of customers' securities received by the Company is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Securities pledged as collateral for loans receivable from securities finance companies for margin transactions	¥49,813	¥28,534	\$424,046
Substitute securities received from customers on consignment as guarantees	49,575	34,861	422,023
Other	2,786	1,675	23,714

**10. Loans from Securities Finance Companies for Margin Transactions**

The Company, as an authorized member of a Japanese Stock Exchange, is entitled to borrow cash or certain qualified securities from securities finance companies for the purpose of conducting transactions on margin.

Loans from securities finance companies represent borrowings by the Company in order to finance a portion of its loans to customers making purchases on margin. In connection with such borrowings, the Company is required to furnish securities finance companies with collateral equivalent to the deposits of cash or securities made by its customers in connection with such margin transactions.

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 11. Income Taxes

The Company and its domestic subsidiaries are subject to corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rate of 40.69% for the years ended March 31, 2006 and 2005.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2005 was as follows:

	<u>2005</u>
Statutory tax rate	40.69%
Non-deductible entertainment expenses	3.81
Non-taxable dividend income	(0.11)
Special deduction on corporate taxes	(0.72)
Inhabitants' per capita taxes	0.57
Utilization of tax loss carryforwards	(24.89)
Effect of valuation allowance	(12.54)
Effective tax rate	<u>6.81%</u>

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2006 as a percentage of income before income taxes is not presented as the difference was immaterial.

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**11. Income Taxes (continued)**

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Deferred income taxes			
Deferred tax assets:			
Tax loss carryforwards	¥ 59	¥ 136	\$ 504
Excess depreciation	73	80	617
Accrued bonuses	461	318	3,928
Loss on devaluation of investment securities	108	85	918
Loss on devaluation of golf club memberships	140	140	1,189
Retirement benefit plan for officers	101	132	861
Retirement benefits	149	154	1,265
Loss on impairment of fixed assets	73	74	621
Other	745	510	6,343
Valuation allowance	(668)	(745)	(5,682)
Total deferred tax assets	1,241	884	10,564
Deferred tax liabilities:			
Revaluation of land	(51)	(51)	(435)
Net unrealized holding gain on securities	(564)	(214)	(4,798)
Net deferred tax assets	¥ 626	¥ 619	\$ 5,331

# Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 12. Land Revaluation

Effective 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.” A difference on land revaluation of ¥1,949 million (\$16,591 thousand) and deferred tax liabilities of ¥51 million (\$435 thousand) were recorded at March 31, 2006. The resulting differences of ¥2,000 million (\$17,026 thousand), net of the tax effect, have been accounted for under shareholders’ equity 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 Act Concerning Land Revaluation” and other regulations.

The market value of the land at March 31, 2006 was ¥913 million (\$7,780 thousand). The difference between the book value of ¥1,276 million (\$10,870 thousand) for the land and its market value of ¥913 million (\$7,780 thousand) at March 31, 2006 amounted to ¥363 million (\$3,090 thousand) but this has not been recognized in the accompanying consolidated financial statements.

### 13. Statutory Reserve

The statutory reserve is a reserve for securities transaction liabilities which is required to be provided under the Securities and Exchange Law of Japan and the related regulations.

### 14. Shareholders’ Equity

The Commercial Code of Japan (“the Code”) provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the Board of Directors.

The new Corporation Law of Japan (the “Law”), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates requirements on distributions of earnings which are similar to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

## Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **14. Shareholders' Equity (continued)**

In accordance with the Code, a stock option plan for directors, auditors and certain employees of the Company, and for directors, auditors and certain employees of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 22, 2002. Under the terms of this plan, 500 thousand shares of common stock were granted at an exercise price of ¥285 per share, subject to adjustment for certain events including stock splits. The options became exercisable on June 23, 2004 and are scheduled to expire on June 22, 2007.

In accordance with the Code, a stock option plan for directors, and certain employees of the Company and certain subsidiaries was approved at the annual general meeting of the shareholders held on June 26, 2004. Under the terms of this plan, 65 thousand shares of common stock were granted at an exercise price of ¥1,033 per share, subject to adjustment for certain events including stock splits. The options become exercisable on June 27, 2006 and are scheduled to expire on June 26, 2009.

In accordance with the Code, a stock option plan for directors, executive officers and certain employees of the Company and certain subsidiaries was approved at the annual general meeting of the shareholders held on June 25, 2005. Under the terms of this plan, 76 thousand shares of common stock were granted at an exercise price of ¥1,129 per share, subject to adjustment for certain events including stock splits. The options become exercisable on June 26, 2007 and are scheduled to expire on June 25, 2010.

In accordance with the Code, a stock option plan for directors, executive officers and certain employees of the Company and certain subsidiaries was approved at the annual general meeting of the shareholders held on June 24, 2006. Under the terms of this plan, 400 thousand shares of common stock were authorized for issuance. The exercise price per share for this option shall be the average of closing price of the Company's shares of common stock on each trading day for the month immediately preceding the month in which this option plan is actually granted, multiplied by 1.05 (a fraction less than 1 yen to be rounded up); provided, however, that, in the event of the exercise price per share so calculated being below the closing price of the Company's shares of common stock on the day preceding the day on which this option plan is actually granted, the closing price shall be adopted as the exercise price per share for this option plan. The exercise price is subject to adjustment for certain events including stock splits. The options become exercisable on June 25, 2008 and are scheduled to expire on June 24, 2016.

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**15. Retirement Benefits**

The following table sets forth the funded and accrued status of the Company's and the consolidated subsidiaries' defined benefit plans at March 31, 2006 and 2005:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Retirement benefit obligation	¥(3,933)	¥(3,805)	\$ (33,484)
Plan assets at fair value	3,832	3,165	32,624
Unfunded retirement benefit obligation	(101)	(640)	(860)
Unrecognized actuarial (gain) loss	(371)	128	(3,159)
Unrecognized prior service cost	31	41	264
Accrued retirement benefits	¥ (441)	¥ (471)	\$ (3,755)

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Service cost	¥ 231	¥ 310	\$ 1,963
Interest cost	74	72	632
Expected return on plan assets	(63)	(58)	(539)
Amortization:			
Unrecognized actuarial loss	41	46	346
Unrecognized prior service cost	10	10	88
Total retirement benefit expenses	¥ 293	¥ 380	\$ 2,490

The assumptions used in accounting for the defined retirement benefit plans for the years ended March 31, 2006 and 2005 were as follows:

	<b>2006</b>	<b>2005</b>
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**16. Commission**

Commission earned for the years ended March 31, 2006 and 2005 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Brokerage	¥13,371	¥11,495	\$113,822
Underwriting and distribution	6,126	4,385	52,152
Other	4,984	3,298	42,432
	<u>¥24,481</u>	<u>¥19,178</u>	<u>\$208,406</u>

**17. Operating Costs and Expenses**

Operating costs and expenses for the years ended March 31, 2006 and 2005 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Remuneration, compensation and payroll benefits	¥ 9,496	¥ 8,629	\$ 80,842
Brokerage and other commission	519	533	4,423
Clearing and exchange fees	210	202	1,784
Communications	579	551	4,927
Advertising expenses	680	687	5,790
Occupancy and rent payments	1,580	1,428	13,448
Taxes other than income taxes	253	251	2,151
Other	4,281	3,841	36,445
	<u>¥17,598</u>	<u>¥16,122</u>	<u>\$149,810</u>

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**18. Amounts Per Share**

	<i>Yen</i>		<i>U.S. dollars</i>
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Net income:			
Basic	¥122.64	¥107.14	\$1.04
Diluted	120.75	105.14	1.03
Cash dividends	100.00	30.00	0.85
Net assets	858.11	759.64	7.30

**19. Derivatives**

*Trading Activities*

(a) Nature of Derivatives Business

The Company trades in derivatives at the request of its customers for the purpose of hedging the Company's securities trading positions and for arbitrage purposes.

The Company confines its derivatives business to exchange-based trading of financial derivatives such as stock index futures and options and government bond futures and options, and to over-the-counter trading of financial derivatives such as options bearing securities and forward foreign exchange contracts.

(b) Approach to Derivatives Trading

The Company undertakes exchange-based trading and over-the-counter trading of derivatives to accommodate its customers' requirements. Whether the Company is conducting transactions involving derivatives for its customers' accounts or for its own account, it is a matter of overriding concern to the Company to ensure that its activities contribute at all times to orderly management of the secondary markets.

(c) Derivatives Related Risk Management

The bulk of a securities company's business tends to be related to products which are subject to market price fluctuation. The derivatives business is also becoming increasingly diverse and complex. The two main types of risk – market risk and credit risk – arising from the Company's derivatives business have a major bearing on the Company's financial position. The Company is acutely aware of the importance of managing the risks which arise with respect to its derivatives positions in the markets and of the necessity of keeping the attendant credit risk under control. The Company's strategies for managing the above risks are summarized as follows:

## Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 19. Derivatives (continued)

##### (c) Derivatives Related Risk Management (continued)

###### (i) Market Risk

In addition to imposing position ceilings, loss-cutting rules and the like, the Company's directors have established a set of basic risk management guidelines, investment criteria and investment procedures. Day-to-day risk management is implemented by the Risk Management Department, which is independent of the Company's various product divisions. The responsibility of the Risk Management Department is to evaluate and monitor a variety of risk factors such as open derivatives positions and the current profit/loss status, and to report the results of their investigations to the directors.

###### (ii) Credit Risk

Before transacting business of any sort, the Company screens prospective customers in accordance with the business initiation criteria formulated by the Company, and sets individual credit limits based on the creditworthiness of each of the customers concerned. On a day-to-day basis, the Company keeps credit risk to a minimum by evaluating collateral, monitoring the profit/loss valuation of individual transactions, maintaining a range of other ongoing systematic checks on customer credit status, and calling for additional margin as and when necessary.

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**19. Derivatives (continued)**

(d) The notional contract amounts and the market value of the open derivatives positions at March 31, 2006 and 2005 are summarized as follows:

<i>Millions of yen</i>						
<b>2006</b>						
	Assets			Liabilities		
	Notional Contract Amounts	Market Value	Unrealized loss	Notional Contract Amounts	Market Value	Unrealized loss
Forward foreign exchange contracts	¥8	¥8	¥(0)	¥245	¥247	¥(2)
<i>Millions of yen</i>						
<b>2005</b>						
	Assets			Liabilities		
	Notional Contract Amounts	Market Value	Unrealized loss	Notional Contract Amounts	Market Value	Unrealized loss
Forward foreign exchange contracts	¥61	¥61	¥(0)	¥433	¥435	¥(2)
<i>Thousands of U.S. dollars</i>						
<b>2006</b>						
	Assets			Liabilities		
	Notional Contract Amounts	Market Value	Unrealized loss	Notional Contract Amounts	Market Value	Unrealized loss
Forward foreign exchange contracts	\$72	\$72	\$(0)	\$2,083	\$2,100	\$(17)

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Lessees' Accounting**

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2006 and 2005, which would have been reflected in the consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property to the Company (which are currently accounted for as operating leases) were capitalized:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Office equipment:			
Acquisition costs	¥ 78	¥ 103	\$ 663
Accumulated depreciation	(31)	(78)	(266)
Net book value	¥ 47	¥ 25	\$ 397

Acquisition costs are stated inclusive of the related interest because of the immateriality of the leased property.

Future minimum lease payments subsequent to March 31, 2006 are summarized as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Due within one year	¥ 13
Due after one year	34	290
	¥ 47	\$ 397

Future minimum lease payments are stated inclusive of the related interest because of the immateriality of the leased property.

Payments related to these leases and depreciation for the years ended March 31, 2006 and 2005 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Payments related to leases	¥15	¥17	\$132
Depreciation	15	17	132

Depreciation is calculated by the straight-line method over useful lives equal to the respective lease periods and under the assumption that the residual value of the leases is nil.

Ichiyoshi Securities Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**21. Supplemental Information to the Statements of Cash Flows**

A reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets as of March 31, 2006 and 2005 is presented as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2006</b>	<b>2005</b>	<b>2006</b>
Cash and time deposits	¥ 13,948	¥ 13,610	\$ 118,738
Time deposits with a maturity in excess of three months	(205)	(158)	(1,744)
Money market funds	107	107	912
Cash and cash equivalents	<u>¥ 13,850</u>	<u>¥ 13,559</u>	<u>\$ 117,906</u>

**22. Subsequent Events**

- (1) In April 2006, Ichiyoshi Research Institute, a subsidiary of the Company, announced a plan to spin off its consulting business related to investor relations and to establish a new subsidiary named Ichiyoshi IR Institute, Inc. (“IRI”) on July 3, 2006. Pursuant to a resolution approved by the Board of Directors at a meeting held on April 28, 2006, the Company decided to acquire all the shares to be issued by IIRI. IIRI’s capital stock and number of shares to be issued were to be ¥100 million (\$854 thousand) and 2,000 shares, respectively.
- (2) The following appropriation of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2006, was approved at the Board of Directors’ meeting held on May 19, 2006:

	<i>Millions of yen</i>	<i>Thousands of</i>
		<b>U.S. dollars</b>
Cash dividends (¥85.00 = U.S.\$0.72 per share)	¥4,018	\$34,212

## Board of Directors and Executive Officers

(As of July 1, 2006)

<b>President &amp; Chief Executive Officer</b>	Masashi Takehi
<b>Director &amp; Senior Managing Executive Officers</b>	Shin Kukita Heiji Endou Masatoshi Kobayashi
<b>Director &amp; Managing Executive Officer</b>	Toshiyuki Fuwa
<b>Directors</b>	Takeshi Noguchi Keiji Watanabe Takeo Shima
<b>Managing Executive Officer Senior Executive Officers</b>	Nobutaka Tanaami Tohru Kamiyashiki Michihiro Harada Toshihiko Takaishi
<b>Executive Officers</b>	Terushi Hirotama Hisato Hatanaka Katsuhiko Kamei Yasuaki Yamasaki Shiro Tateishi Koichi Ohdate Masaki Yano

## Consolidated Subsidiaries

(As of March 31, 2006)

	Business Line	Equity Interest
<b>Ichiyoshi Business Service Co., Ltd.</b>	Renting and management of real estate properties and insurance business	100.0%
<b>Ichiyoshi International (H.K.) Ltd.</b>	Securities business and financial operations	100.0%
<b>Ichiyoshi Investment Management Co., Ltd.</b>	Asset management business	94.4%
<b>Ichiyoshi Research Institute Inc.</b>	Information service business	85.0%

## Corporate Data

(As of March 31, 2006)

<b>Corporate Name</b>	Ichiyoshi Securities Co., Ltd.
<b>Head Office</b>	14-1, Hatchobori 2-chome, Chuo-ku, Tokyo 104-0032, Japan
<b>President</b>	Masashi Takehi
<b>Established</b>	August 18, 1950
<b>Capital Stock</b>	¥14,555 million
<b>Total Assets</b>	¥88,085million
<b>Employees</b>	834
<b>Domestic Network</b>	31 offices
<b>Stock Listings</b>	Tokyo Stock Exchange Osaka Securities Exchange
<b>Memberships</b>	Tokyo Stock Exchange Osaka Securities Exchange Nagoya Stock Exchange
<b>Authorized Number of Shares</b>	168,159,000
<b>Shares of Stock Issued</b>	48,036,086
<b>Number of Shareholders</b>	17,063
<b>Independent Auditor Century</b>	Shin Nihon & Co.
<b>Stock Transfer Agent</b>	Mitsubishi UFJ Trust and Banking

## Major Shareholders

(As of March 31, 2006)

<b>Shareholders</b>	Number of Shares	
	(Thousand)¥	Percent of Total
Nomura Land and Building Co., Ltd.	5,298	11.02%
Japan Securities Finance Co.,Ltd.	2,144	4.46%
Privee Zurich Asset Management	2,100	4.37%
Japan Trustee Services Bank	1,754	3.65%
The Master Trust Bank of Japan	1,611	3.35%
State Street Bank And Trust Company	1,405	2.92%
Morgan Stanley & Co. International Limited	1,004	2.09%
Nomura Research Institute, Ltd.	879	1.83%
Sanshin Co., Ltd.	869	1.81%
Bear Stearns Securities Corp.	668	1.39%