

Consolidated Financial Results for First Three Quarters of Fiscal 2006
January 1, 2006 to September 30, 2006
(Translation of Japanese Flash Report, Released on November 10, 2006)

Company Name: RISA Partners, Inc.

Stock Listing: Tokyo Stock Exchange (1st section)

Code Number: 8924

URL: <http://www.risa-p.com>

Address: 5F, Akasaka Inter City, 1-11-44, Akasaka, Minato-ku, Tokyo, 107-0052, Japan

Representative: Atsushi Imuta, President

Inquiry: Yoshio Yanagi, Operating Officer and General Manager of Corporate Planning Department
 (Phone: +81-3-5573-8011)

1. Matters Concerning Preparation of Quarterly Consolidated Financial Information

(i) Adoption of simplified accounting methods: No

(ii) Changes in accounting methods since most recent consolidated fiscal year: Yes

Change to business segments

RISA Partners changed the business segments of the Group to the three categories of principal investment, funds and investment banking starting from this fiscal year.

For more details, see Qualitative Information Concerning Changes in Consolidated Business Performance and [Supplementary Materials] Summarized Quarterly Consolidated Financial Statements (5) Segment Information.

Change to method of accounting for expenses related to acquisitions involving real estate and purchased non-performing loans

In the past, RISA Partners recorded expenses related to acquisitions involving real estate and purchased non-performing loans as expenses at the time of the acquisition. However, with the significant growth in opportunities for investment in real estate and purchased non-performing loans and the amount invested, there is an increased need to accurately assess earnings and expenses related to investment projects, and to reflect gains and losses for the period more appropriately in the financial statements. Therefore, from the current fiscal year, RISA Partners has switched to the accounting treatment adopted at many companies engaged in the investment business whereby expenses are recorded under the acquisition cost of real estate and purchased non-performing loans.

As a result of this change, operating income, ordinary income, and net income before income taxes and minority interests each rose ¥138 million and net income rose ¥82 million in the current first three quarters compared to the previous method.

(iii) Changes in consolidation and scope of application for equity method: Yes

Newly consolidated companies: 11

Excluded consolidated companies:

Newly included under equity methods:

Excluded under equity method: 1

2. Performance for the First Three Quarters of Fiscal 2006 (January 1, 2006 – September 30, 2006)

(1) Consolidated Results

(Millions of yen (rounded), except for per share figures)

	Net Sales	Operating Income	Ordinary Income
First Three Quarters of Fiscal 2006	¥10,647 (117.8%)	¥3,334 (92.8%)	¥2,470 (61.5%)
First Three Quarters of Fiscal 2005	¥4,887 (82.0%)	¥1,729 (100.0%)	¥1,529 (105.2%)
Fiscal 2005	¥9,152	¥2,812	¥2,507

	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
First Three Quarters of Fiscal 2006	¥1,450 (71.6%)	¥11,975.20	¥9,981.46
First Three Quarters of Fiscal 2005	¥845 (96.4%)	¥8,028.15	¥6,848.65
Fiscal 2005	¥1,379	¥13,070.32	¥10,615.78

Note: Percentage figures shown in the net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

Qualitative Information Concerning Changes in Consolidated Business Performance

Backed by brisk overall private consumption and robust capital investment, the Japanese economy maintained its tone of moderate economic expansion in the current first three quarters (January 1, 2006 – September 30, 2006) despite the hike in crude oil prices, climate instability and other negative factors.

Under such economic circumstances, the financial market, in which the Group conducts business, continued to see active disposal of non-performing loans due to the enhanced financial capacity of financial institutions in correlation with the economic recovery and corporate restructuring moves by regional financial institutions among other factors. In addition, in the real estate market, real estate transactions remained active owing to continued strong office demand and flow of real estate private placement funds, J-REITs and other investment funds. At the same time, land prices rose primarily in major metropolitan areas.

Under this business environment, the Group managed to achieve steady growth in all business segments – principal investment, funds and investment banking – and remarkable growth in overall performance.

In August 2006, business operations commenced at RISA Partners Okinawa, Inc. (headquartered in Naha City) as a strategic subsidiary with the mission to steadily seize the array of business opportunities in the Okinawa region. Moreover, the Group forged ahead with measures directed at greater business growth with the arrangement in September 2006 of RISA Corporate Solution Fund, a corporate value enhancement fund under a new concept that comprehensively utilizes the financial advisory functions and real estate, purchased non-performing loans and other investment functions that the Group has cultivated to date. Furthermore, in order to strengthen the organizational structure in response to such business expansion, internal organizational reforms were implemented in June and October of 2006.

As a result, RISA Partners achieved substantial growth in both sales and income, with net sales of ¥10,647 million (up 117.8% year-on-year), ordinary income of ¥2,470 million (up 61.5% year-on-year) and net income of ¥1,450 million (up 71.6% year-on-year).

A breakdown of the performance by business segment is as shown below.

(i) Principal Investment Business

RISA Partners' principal investment business segment conducts proprietary investment in real estate, loan receivables and corporate equities.

Concerning real estate, RISA Partners managed to stably secure rent income in conjunction with steady property acquisitions, while selling properties in accordance with initial expectations. Concerning loan receivables, the investment amount grew considerably due to the acquisition of loan receivables for Kokuba-Gumi Co., Ltd., Okinawa Prefecture's largest construction company, in March 2006, while collections were well on track with initial expectations. Concerning corporate equity investment, RISA Partners invests in growth companies that promise synergies with RISA Partners' businesses. Equity investments were made in Lic Co., Ltd. (operator of home centers, pet shops, etc.) in February 2006 and Hatagoya & Company (operator of roadside hotels; Green Sheet issue) in March 2006.

As a result, the sales and income increases of the first half of the fiscal year continued in the current first three quarters, with net sales of ¥7,305 million (up 198.3% year-on-year) and operating income of ¥1,658 million (up 154.6% year-on-year).

(ii) Funds Business

RISA Partners' funds business segment conducts joint real estate investments with Soros Real Estate Investors (hereafter, SREI) and Cypress Grove International (hereafter, Cypress), and also engages in establishing and operating corporate restructuring funds in partnership with regional financial institutions across Japan.

In the joint real estate investment business with SREI and Cypress, smooth progress was achieved in property acquisitions, bringing the cumulative investment total to about ¥145.7 billion (based on commitments as of the end of September 2006; the cumulative investment total based on commitments at the end of October 2006 was about ¥173.6 billion). Both dividend income and asset management fees increased in correlation with this marked growth in investment scale and this led to steady income growth.

In the corporate restructuring fund business, RISA Partners steadily expanded relationships with regional financial institutions, being in partnership with 53 financial institutions and having formed 17 restructuring funds as at the end of October 2006. Moreover, concerning the joint public-private corporate restructuring funds established and operated by RISA Partners with investment from the Organization for Small & Medium Enterprises and Regional Innovation, Japan, one fund was established in each of Chiba Prefecture and Okinawa Prefecture in March 2006 to follow on from the funds established in 2005 in Ehime Prefecture and Saitama Prefecture. This brings the number of joint public-private funds established and operated by RISA Partners to a total of four with investment commitments reaching ¥11 billion in total.

Furthermore, as aforementioned, RISA corporate solution fund was established in September 2006 as a corporate value enhancement fund. The objectives of the fund is to contribute to value enhancement of an increasing number of companies by utilizing RISA Partners' solution functions in order to meet growth acceleration, corporate reorganization, business succession and other recent corporate needs in addition to corporate restructuring. The fund targets investment in the equity and debt of domestic companies in Japan. Investment commitments of the fund presently total ¥10 billion, but this is anticipated to increase to ¥20 billion by March 2007 (target).

As a result, the funds business segment registered solid performance, with net sales of ¥1,499 million (up 45.4% year-on-year) and operating income of ¥999 million (up 58.9% year-on-year).

(iii) Investment Banking Business

RISA Partners' investment banking business segment is composed of M&A and corporate restructuring advisory services, due diligence services and servicing services, along with solutions services that are provided by leveraging RISA Partners' expertise in real estate and financial investments as well as advisory services.

In the current first three quarters, RIFAS, Inc., which is the advisory business subsidiary of the Group, and RISA Loan Servicing, Inc. (changed corporate name from Yashio Servicing Co., Ltd. in June 2006), which is involved in purchased non-performing loan administration and servicing, achieved strong performance. Additionally, some of the corporate restructuring projects that were being carried out under the solutions business were completed in the first half of the fiscal year.

As a result, performance of the investment banking business segment remained firm, with net sales of ¥2,072 million (up 46.1% year-on-year) and operating income of ¥1,370 million (up 52.4% year-on-year).

(2) Consolidated Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
First Three Quarters of Fiscal 2006	¥78,768	¥17,620	22.3%	¥132,412.15
First Three Quarters of Fiscal 2005	¥28,410	¥6,915	24.3%	¥65,210.78
Fiscal 2005	¥30,437	¥7,734	25.4%	¥69,894.50

Note: For the first three quarters of fiscal 2005 and fiscal 2005, the figures that used to appear as Shareholders' Equity now appear under the Net Assets column, (Shareholders') Equity Ratio under the Equity Ratio column, and Shareholders' Equity per Share under the Net Assets per Share column.

Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
First Three Quarters of Fiscal 2006	¥(32,819)	¥(7,553)	¥45,288	¥10,944
First Three Quarters of Fiscal 2005	¥(8,496)	¥(2,890)	¥14,474	¥7,815
Fiscal 2005	¥(9,636)	¥(4,471)	¥15,409	¥6,028

Qualitative Information Concerning Changes in Consolidated Financial Position

Total assets through the end of the current first three quarters increased by ¥48,331 million compared to the end of the previous consolidated fiscal year to ¥78,768 million. This increase was chiefly due to successfully acquiring large-lot receivables accompanying business restructuring and a ¥28,508 million increase in purchased non-performing loans acquired either directly or through corporate restructuring funds.

Liabilities increased by ¥38,476 million compared to the end of the previous consolidated fiscal year to ¥61,148 million. This was chiefly due to borrowings increasing ¥37,801 million in short- and long-term borrowings combined, mainly as funds for the acquisition of receivables and real estate, including funds raised through corporate restructuring funds accompanying the acquisition of receivables described above.

Furthermore, a capital increase through a public offering of new shares implemented in May 2006 led to net assets increasing ¥9,885 million compared to the end of the previous consolidated fiscal year to ¥17,620 million.

Cash Flows in the First Three Quarters of Fiscal 2005

Consolidated cash and cash equivalents during the first three quarters of fiscal 2006 (hereafter, net cash) rose ¥4,915 million compared to the end of the previous consolidated fiscal year to ¥10,944 million.

Cash flows and their main components during the first three quarters of fiscal 2006 were as follows.

Cash flows from operating activities

Net cash used in operating activities stood at ¥32,819 million, up 286.3% compared to the same period last year.

This was mainly due to expenditure of ¥28,508 million resulting from an increase in purchased non-performing loans acquired either directly or through corporate restructuring funds.

Cash flows from investing activities

Net cash used in investing activities stood at ¥7,553 million, up 161.4% compared to the same period last year.

This was mainly due to silent partnership investments of ¥5,070 million in real estate investment funds and corporate restructuring funds as well as payments of ¥3,442 million resulting from the purchase of property and equipment primarily as investment real estate.

Cash flows from financing activities

Net cash provided by financing activities stood at ¥45,288 million, up 212.9% compared to the same period last year.

This was due to a ¥37,801 million increase in the total of short- and long-term borrowings used as funds for real estate investment, receivables investment, and silent partnership investments in real estate investment funds and corporate restructuring funds. Another factor was the raising of ¥8,275 million in funds by increasing capital through a public offering of new shares.

- Supplementary Materials
 - (1) Summarized Quarterly Consolidated Balance Sheets
 - (2) Summarized Quarterly Consolidated Statements of Income
 - (3) Quarterly Consolidated Statements of Changes in Shareholders' Equity
 - (4) Quarterly Consolidated Statements of Cash Flows
 - (5) Segment Information

[Reference]

Consolidated Financial Results Forecasts for Fiscal 2006 (January 1, 2006 – December 31, 2006)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal 2006	¥16,800	¥4,250	¥2,450

Reference: Projected net income per share (full year): ¥18,451.27

Qualitative Information Concerning Financial Results Forecasts

The positive business environment is forecast to continue into the next quarter and onwards. Under this environment, RISA Partners anticipates a dramatic expansion in the scale of investments in each of the principal investment business and funds business segments, and for the solutions and other businesses of the investment banking business segment to contribute to generating profits. In particular, in the joint real estate investment business, there is a large property scheduled to be sold in November. Correspondingly, an inflow of dividend income and contingency fees is also expected. Thus, steady performance will likely continue.

However, due in part to uncertainties still remaining at this stage concerning the consolidated financial results forecasts for fiscal 2006, the financial results forecasts of July 10, 2006 have been left unchanged.

*The above financial results forecasts are based on information available to RISA Partners at the time this document was released. Financial results may vary from the forecast figures due to various future factors.

Summarized Quarterly Consolidated Financial Statements

(1) Summarized Quarterly Consolidated Balance Sheets

(Millions of yen)

Items	Period		First Three Quarters of		Increase/Decrease		Fiscal 2005	
	Fiscal 2006 (at Sept. 30, 2006)		Fiscal 2005 (at Sept. 30, 2005)				(at December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)
ASSETS								
Current Assets								
Cash and bank deposits	10,963		7,834		3,128		6,048	
Notes and accounts receivable, trade	628		619		9		888	
Inventories	13,705		6,263		7,441		7,091	
Purchased non-performing loans	36,097		6,827		29,270		7,588	
Deferred tax assets	168		84		83		99	
Other current assets	598		279		318		648	
Allowance for doubtful accounts	(37)		(11)		(26)		(13)	
Total Current Assets	62,125	78.9	21,897	77.1	40,227	183.7	22,351	73.4
Fixed Assets								
Property and Equipment								
Buildings and structures	1,325		338		987		378	
Land	3,577		1,261		2,315		1,261	
Other	393		355		37		383	
Total Property and Equipment	5,295	6.7	1,955	6.9	3,340	170.8	2,024	6.6
Intangible Fixed Assets								
Software	21		29		(8)		28	
Consolidation adjustment accounts	268		345		(76)		326	
Other	17		0		16		0	
Total Intangible Fixed Assets	306	0.4	374	1.3	(67)	(18.1)	354	1.2
Investments and Other Assets								
Investments in securities	8,967		3,692		5,274		4,745	
Deferred tax assets	196		—		196		3	
Other assets	1,878		490		1,387		957	
Total Investments and Other Assets	11,041	14.0	4,182	14.7	6,858	164.0	5,707	18.8
Total Fixed Assets	16,643	21.1	6,513	22.9	10,130	155.5	8,086	26.6
Total Assets	78,768	100.0	28,410	100.0	50,358	177.3	30,437	100.0

(Millions of yen)

Items	First Three Quarters of Fiscal 2006 (at Sept. 30, 2006)		First Three Quarters of Fiscal 2005 (at Sept. 30, 2005)		Increase/Decrease		Fiscal 2005 (at December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)
LIABILITIES								
Current Liabilities								
Notes and accounts payable, trade	7		10		(2)		6	
Short-term debt	26,200		6,164		20,035		6,650	
Income taxes payable	844		495		348		847	
Accrued bonuses	151		110		41		—	
Other current liabilities	3,232		1,697		1,535		1,958	
Total Current Liabilities	30,436	38.6	8,478	29.9	21,957	259.0	9,463	31.1
Long-term Liabilities								
Corporate bond	5,690		6,830		(1,140)		6,680	
Long-term debt	24,586		5,977		18,609		6,335	
Reserve for employees' retirement benefits	4		11		(6)		9	
Deferred tax liabilities	—		33		(33)		62	
Other	431		134		297		121	
Total Long-term Liabilities	30,712	39.0	12,986	45.7	17,726	136.5	13,208	43.4
Total Liabilities	61,148	77.6	21,464	75.6	39,684	184.9	22,671	74.5
MINORITY INTERESTS								
Minority interests	—	—	30	0.1	—	—	31	0.1
SHAREHOLDERS' EQUITY								
Common stock	—	—	2,350	8.3	—	—	2,471	8.1
Capital surplus	—	—	2,487	8.7	—	—	2,608	8.6
Retained earnings	—	—	2,022	7.1	—	—	2,556	8.4
Net unrealized gain on other securities	—	—	54	0.2	—	—	97	0.3
Treasury stock	—	—	—	—	—	—	(0)	(0.0)
Total Shareholders' Equity	—	—	6,915	24.3	—	—	7,734	25.4
Total Liabilities, Minority Interests and Shareholders' Equity	—	—	28,410	100.0	—	—	30,437	100.0

(Millions of yen)

Items	First Three Quarters of Fiscal 2006 (at Sept. 30, 2006)		First Three Quarters of Fiscal 2005 (at Sept. 30, 2005)		Increase/Decrease		Fiscal 2005 (at December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)
NET ASSETS								
Shareholders' Equity								
Capital stock	6,766	8.6	–	–	–	–	–	–
Additional paid-in capital	6,903	8.8	–	–	–	–	–	–
Retained earnings	3,841	4.9	–	–	–	–	–	–
Treasury stock	(1)	(0.0)	–	–	–	–	–	–
Total Shareholders' Equity	17,509	22.3	–	–	–	–	–	–
Valuation and Translation Adjustments								
Gain (Loss) on valuation of other securities	71		–	–	–	–	–	–
Total Valuation and Translation Adjustments	71	0.1	–	–	–	–	–	–
Minority Interests	38	0.0	–	–	–	–	–	–
Total Net Assets	17,620	22.4	–	–	–	–	–	–
Total Liabilities and Net Assets	<u>78,768</u>	<u>100.0</u>	–	–	–	–	–	–

(2) Summarized Quarterly Consolidated Statements of Income

(Millions of yen)

Period Items	First Three Quarters of Fiscal 2006 (January 1– September 30, 2006)		First Three Quarters of Fiscal 2005 (January 1– September 30, 2005)		Increase/Decrease		Fiscal 2005 (January 1– December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)
Net Sales	10,647	100.0	4,887	100.0	5,759	117.8	9,152	100.0
Cost of Sales	5,429	51.0	1,980	40.5	3,448	174.1	4,619	50.5
Gross Profit	5,217	49.0	2,906	59.5	2,310	79.5	4,532	49.5
Selling, General and Administrative Expenses	1,883	17.7	1,177	24.1	705	59.9	1,720	18.8
Operating Income	3,334	31.3	1,729	35.4	1,604	92.8	2,812	30.7
Other Income	259	2.4	76	1.6	182	238.2	90	1.0
Other Expenses	1,123	10.5	276	5.7	846	306.4	395	4.3
Ordinary Income	2,470	23.2	1,529	31.3	940	61.5	2,507	27.4
Extraordinary Gains	0	0.0	—	—	0	—	—	—
Extraordinary Losses	5	0.0	15	0.3	(10)	(66.4)	127	1.4
Net income before distribution of profit/loss from silent partnerships, income taxes and minority interests	2,465	23.2	—	—	—	—	—	—
Distribution of profit/loss from silent partnerships	10	0.1	—	—	—	—	—	—
Net income before income taxes and minority interests	2,454	23.1	1,514	31.0	940	62.1	2,380	26.0
Income taxes	1,305	12.3	711	14.6	593	83.3	1,056	11.5
Income taxes-deferred	(306)	(2.9)	(46)	(0.9)	(260)	(560.6)	(59)	(0.6)
Minority interests	5	0.1	3	0.0	2	64.1	4	0.0
Net Income	<u>1,450</u>	<u>13.6</u>	<u>845</u>	<u>17.3</u>	<u>605</u>	<u>71.6</u>	<u>1,379</u>	<u>15.1</u>

(3) Quarterly Consolidated Statements of Changes in Shareholders' Equity

First Three Quarters of Fiscal 2006 (January 1, 2006 – September 30, 2006)

(Millions of yen)

	Shareholders' Equity					Valuation and Translation Adjustments	Minority Interests	Total Net Assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Gain (Loss) on valuation of other securities		
Balance at December 31, 2005	2,471	2,608	2,556	(0)	7,636	97	31	7,765
Changes during the first three quarters								
New share issuance	4,294	4,294	–	–	8,589	–	–	8,589
Dividends	–	–	(165)	–	(165)	–	–	(165)
Net income	–	–	1,450	–	1,450	–	–	1,450
Share buybacks	–	–	–	(1)	(1)	–	–	(1)
Changes in items not included in shareholders' equity, net	–	–	–	–	–	(26)	7	(18)
Total changes during the first three quarters	4,294	4,294	1,284	(1)	9,873	(26)	7	9,854
Balance at September 30, 2006	6,766	6,903	3,841	(1)	17,509	71	38	17,620

(4) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

Period Items	First Three Quarters of Fiscal 2006 (January 1– September 30, 2006)	First Three Quarters of Fiscal 2005 (January 1– September 30, 2005)	Fiscal 2005 (January 1– December 31, 2005)
	Amount	Amount	Amount
Cash Flows from Operating Activities			
Net income before income taxes and minority interests	2,454	1,514	2,380
Depreciation and amortization	65	37	55
Amortization of long-term prepayment expenses	10	0	0
Amortization of deferred assets	—	4	51
Amortization of consolidation adjustment accounts	57	38	57
Equity in earnings of affiliated companies	(211)	(52)	(61)
Increase (Decrease) in allowance for doubtful accounts	24	4	6
Increase (Decrease) in accrued bonuses	151	110	—
Increase (Decrease) in reserve for employees' retirement benefits	(5)	(16)	(17)
Interest income and dividend receivable	(22)	(4)	(6)
Interest expense	659	136	214
(Increase) Decrease in notes and accounts receivable	259	(340)	(610)
(Increase) Decrease in inventory	(6,614)	(4,331)	(5,159)
(Increase) Decrease in purchased non-performing loans	(28,508)	(5,157)	(5,919)
Increase (Decrease) in notes and accounts payable	0	(10)	(14)
Other	825	389	262
Sub total	(30,851)	(7,680)	(8,760)
Interest and dividend received	4	4	4
Interest paid	(663)	(163)	(222)
Income tax paid	(1,308)	(657)	(657)
Net Cash Used in Operating Activities	(32,819)	(8,496)	(9,636)
Cash Flows from Investing Activities			
Payments for purchase of property and equipment	(3,442)	(357)	(371)
Payments for purchase of investments in securities	(569)	(343)	(653)
Payments for acquisition of consolidated subsidiary	—	(340)	(340)
Payments for purchase of affiliated company's shares	(115)	—	(9)
Payments for investments in companies	(40)	(65)	(101)
Payments for investments in silent partnerships	(5,049)	(3,946)	(5,384)
Proceeds from dividend of silent partnerships	2,001	2,246	3,098
Proceeds from receipt of silent partnership investment	300	—	—
Payments for loans	(2,033)	—	(1,335)
Proceeds from loan collections	1,411	177	894
Other	(17)	(250)	(268)
Net Cash Used in Investing Activities	(7,553)	(2,890)	(4,471)
Cash Flows from Financing Activities			
Increase in short-term debt	15,295	2,227	3,843
Proceeds from long-term debt	24,772	6,460	6,610
Repayment of long-term debt	(2,266)	(1,514)	(2,436)
Proceeds from bond issuance	—	7,400	7,400
Payments for bonds redeemable	(660)	(140)	(140)
Proceeds from issuance of common stock	8,309	21	113
Payments for acquisition of treasury stock	(1)	—	(0)
Proceeds from minority interests	2	18	18
Cash dividends paid	(163)	—	—
Net Cash Provided by Financing Activities	45,288	14,474	15,409
Increase in Cash and Cash Equivalents	4,915	3,087	1,300
Cash and Cash Equivalents at Beginning of Period	6,028	4,727	4,727
Cash and Cash Equivalents at End of Period	<u>10,944</u>	<u>7,815</u>	<u>6,028</u>

(5) Segment Information

Segment Information by Business Segment

First Three Quarters of Fiscal 2006 (January 1, 2006 – September 30, 2006)

(Millions of yen)

	Principal Investment	Funds	Investment Banking	Total	Elimination/Corporate	Consolidated
Net sales	7,305	1,499	2,072	10,877	(230)	10,647
Operating expenses	5,647	500	701	6,849	463	7,313
Operating income	1,658	999	1,370	4,028	(694)	3,334

Note 1: Change to business segments

In the past, RISA Partners categorized its businesses into five segments, which were due diligence, asset management, real estate investment, real estate advisory, and corporate advisory, based on the concepts of operations relating to real estate and operations relating to corporate restructuring. However, because there are now many business opportunities to engage in by combining expertise in real estate and financial investments with expertise in advisory services, RISA Partners has changed to the three segments of principal investment, funds, and investment banking to accurately reflect today's business.

The main business lines in each segment are as below.

Principal Investment	Proprietary real estate investment, investment in receivables, equity investment
Funds	Real estate fund investment, real estate fund asset management, corporate restructuring fund investment, corporate restructuring fund asset management
Investment Banking	Solutions business, financial advisory services, due diligence, servicing, real estate brokerage

The following displays segment information for the first three quarters of fiscal 2005 and fiscal 2005 when the same method of categorizing businesses that was used in the current first three quarters is applied.

First Three Quarters of Fiscal 2005 (January 1, 2005 – September 30, 2005)

(Millions of yen)

	Principal Investment	Funds	Investment Banking	Total	Elimination/Corporate	Consolidated
Net sales	2,448	1,031	1,418	4,899	(11)	4,887
Operating expenses	1,797	414	507	2,718	440	3,158
Operating income	651	616	910	2,180	(451)	1,729

(Reference) Fiscal 2005 (January 1, 2005 – December 31, 2005)

(Millions of yen)

	Principal Investment	Funds	Investment Banking	Total	Elimination/Corporate	Consolidated
Net sales	5,602	1,575	1,994	9,171	(19)	9,152
Operating expenses	4,342	584	777	5,704	635	6,340
Operating income	1,259	990	1,216	3,466	(654)	2,812

Note 2: As described under "1. Matters Concerning Preparation of Quarterly Consolidated Financial Information (ii)

Changes in accounting methods since most recent consolidated fiscal year," RISA Partners recorded expenses related to acquisitions involving real estate and purchased non-performing loans as expenses at the time of the acquisition in the past. However, from the current fiscal year, RISA Partners has changed to the accounting treatment whereby expenses are recorded under the acquisition cost. As a result of this change, operating income from the principal investment business segment rose ¥138 million compared to the previous method.

First Three Quarters of Fiscal 2005 (January 1, 2005 – September 30, 2005)

(Millions of yen)

	Due Diligence	Asset Management	Real Estate Investment	Real Estate Advisory	Corporate Advisory	Total	Elimination/Corporate	Consolidated
Net sales	325	738	2,332	819	683	4,899	(11)	4,887
Operating expenses	173	264	1,749	226	305	2,718	440	3,158
Operating income	151	473	583	593	378	2,180	(451)	1,729

(Reference) Fiscal 2005 (January 1, 2005 – December 31, 2005)

(Millions of yen)

	Due Diligence	Asset Management	Real Estate Investment	Real Estate Advisory	Corporate Advisory	Total	Elimination/Corporate	Consolidated
Net sales	430	1,113	5,532	1,175	912	9,163	(11)	9,152
Operating expenses	220	413	4,250	365	444	5,696	644	6,340
Operating income	210	699	1,281	809	467	3,467	(655)	2,812

Segment Information by Business Location

During the previous first three quarters (January 1, 2005 – September 30, 2005) and current first three quarters (January 1, 2006 – September 30, 2006), there was no consolidated subsidiary in any country or territory outside Japan and there was no major overseas branch. Thus, this item is inapplicable.