



FY2006 Financial Results
(Year ending Dec 2006)

RISA Partners Inc. (#8924)

February 2007



RISA PARTNERS INC.





1. FY2006 Overview

2. Segment Overview

3. Medium-Term Business Plan 2007~2009



FY2006 Topics

1. Investment Opportunities Expanded

- Kokuba-Gumi Case Out Of Regional Bank Network ,and NPL/SPL increase to JPY 342billion (+ JPY 283 billion)
- RISA Corporate Solution Fund Established
Accumulated Investment JPY189 billion (commitment basis)
- SREI/Cypress Co-Investment Fund JPY 20 billion System
- SAP Average Balance JPY 10 billion

2. Group Strategy Clarified

- RIFAS Established for Further Advisory Functions
- RISA Servicer Enhanced for Better Resolution
- RISA Partners Okinawa Established for Local Specialization Strategy
- Frontier Management Established for Corporate Restructuring and M&A Advisory

3. Strong Organization Sought

- TSE1 Status Required Strong Organization
- Stronger Human Resources (employee 152 as of Dec 2006 , +33)
- Organization for Investment Banking Reinforcement
- Reinforcement of Internal Control Corresponding to J-SOX

*NPL/SPL investment = Purchased Loans Receivables



Achievements Highlight (Consolidated)

(in millions of yen)

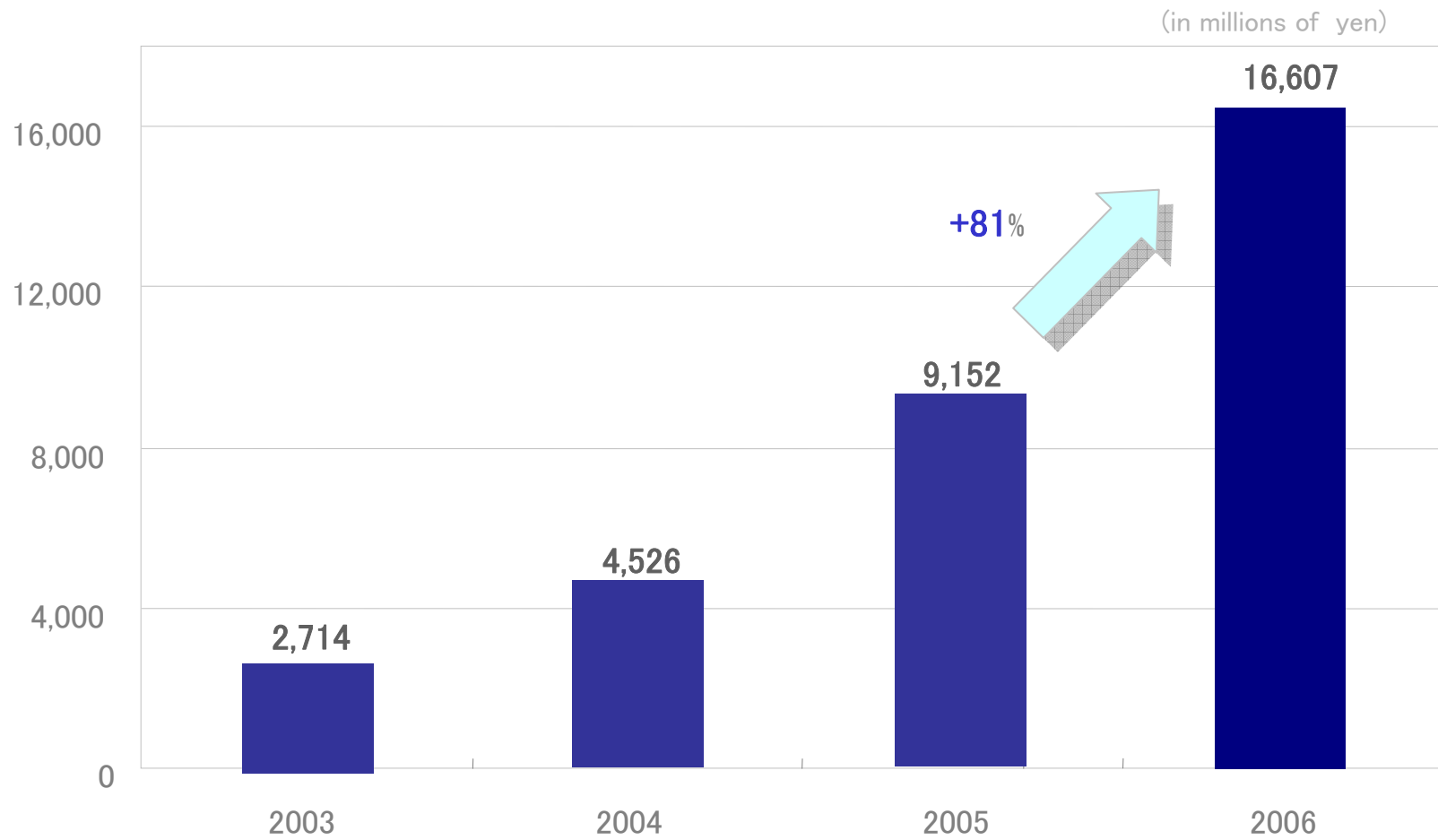
	2004	2005	2006	
	Dec	Dec	Dec	YTY
Revenue	4,526	9,152	16,607	181.5%
Operating Income	1,278	2,812	6,490	230.8%
Ordinary Income	1,113	2,507	5,203	207.5%
NOI	628	1,379	3,030	219.7%
EPS (yen)	6,923.54	13,070.32	24,407.44	186.7%

(*Earnings Per Share)

(Less than unit is omitted.)

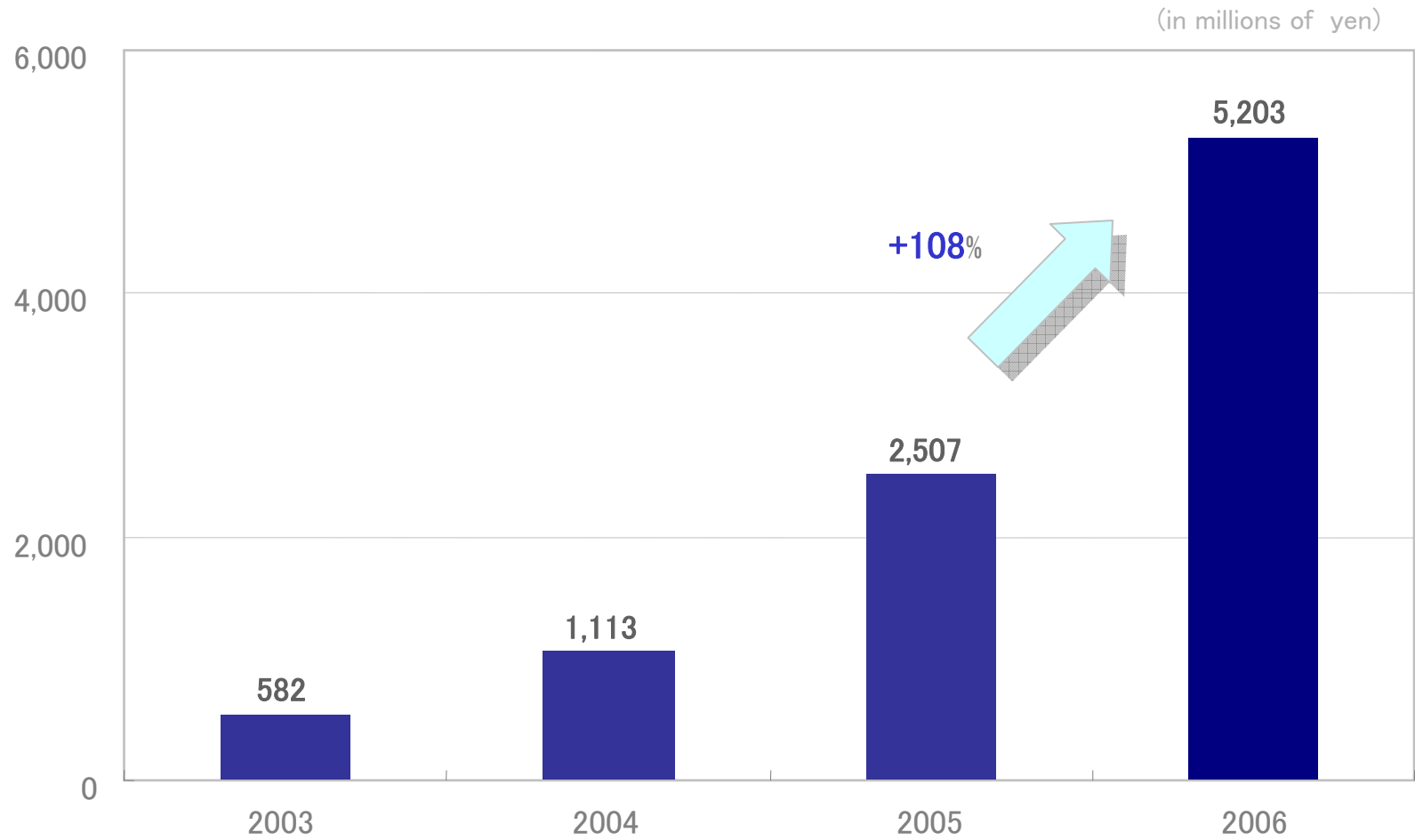


Revenue (Consolidated)



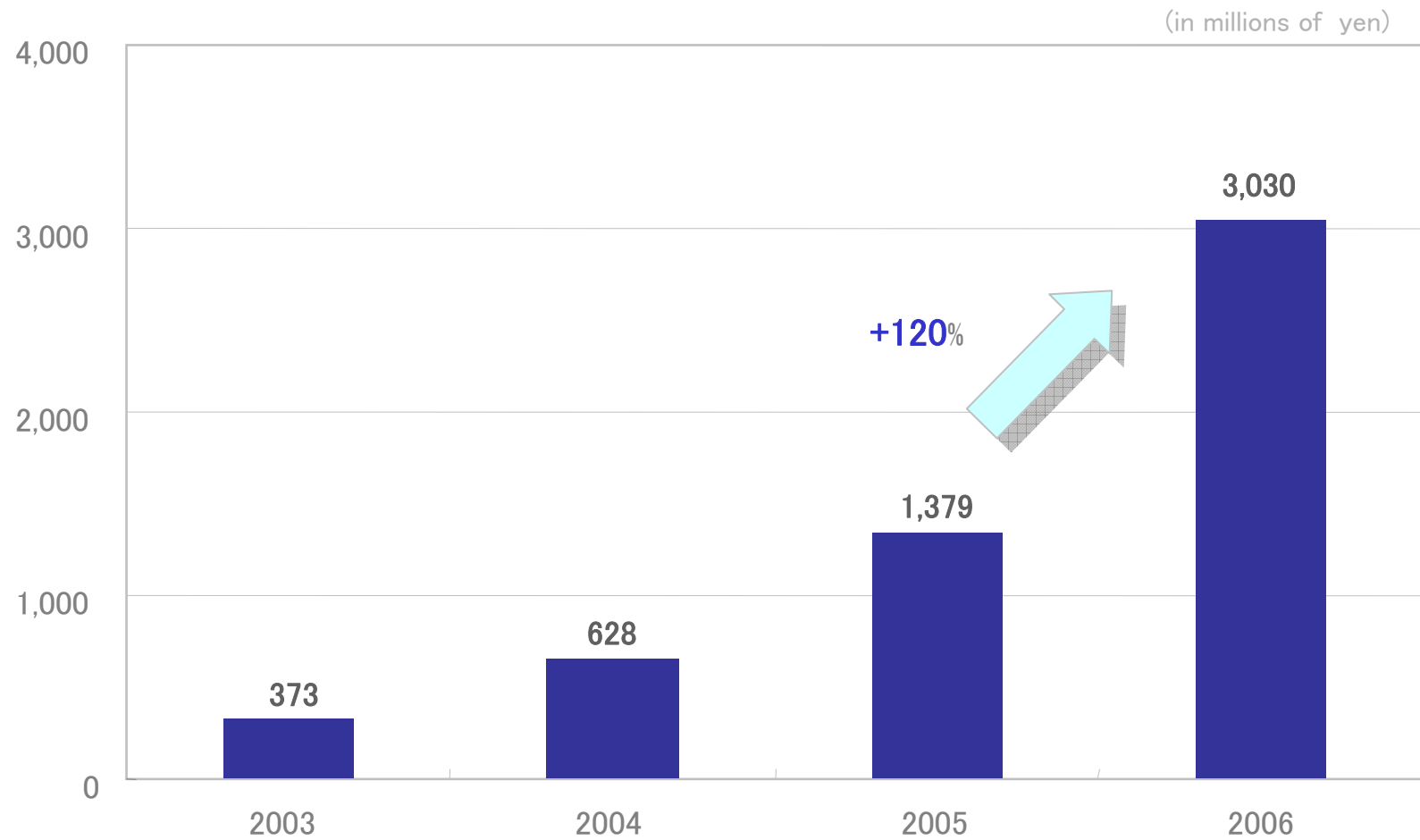


Ordinary Income (Consolidated)





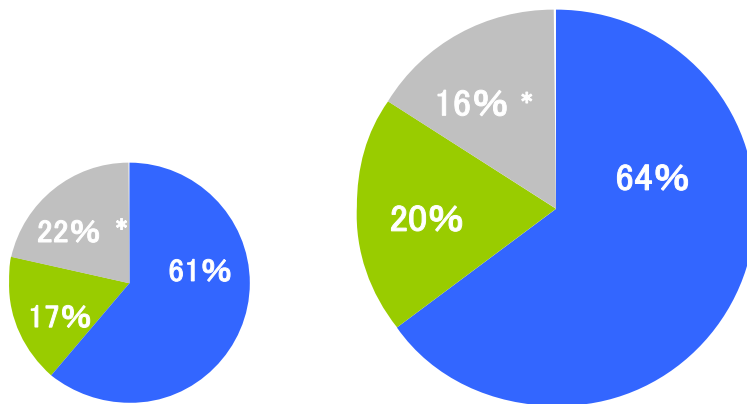
NOI (Consolidated)





Revenue by Segment / Operating Income by Segment (Consolidated)

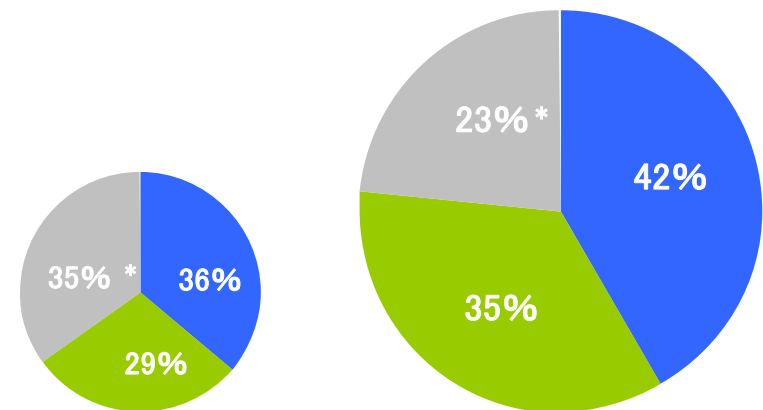
Revenue by Segment



FY2005

FY2006

Operating Income by Segment
(before overhead cost adjustment)



FY2005

FY2006

● Principal Investment ● Fund Management ● Investment Banking

* Includes internal sales

Segment Revenue / Profit (Consolidated)

(in millions of yen)

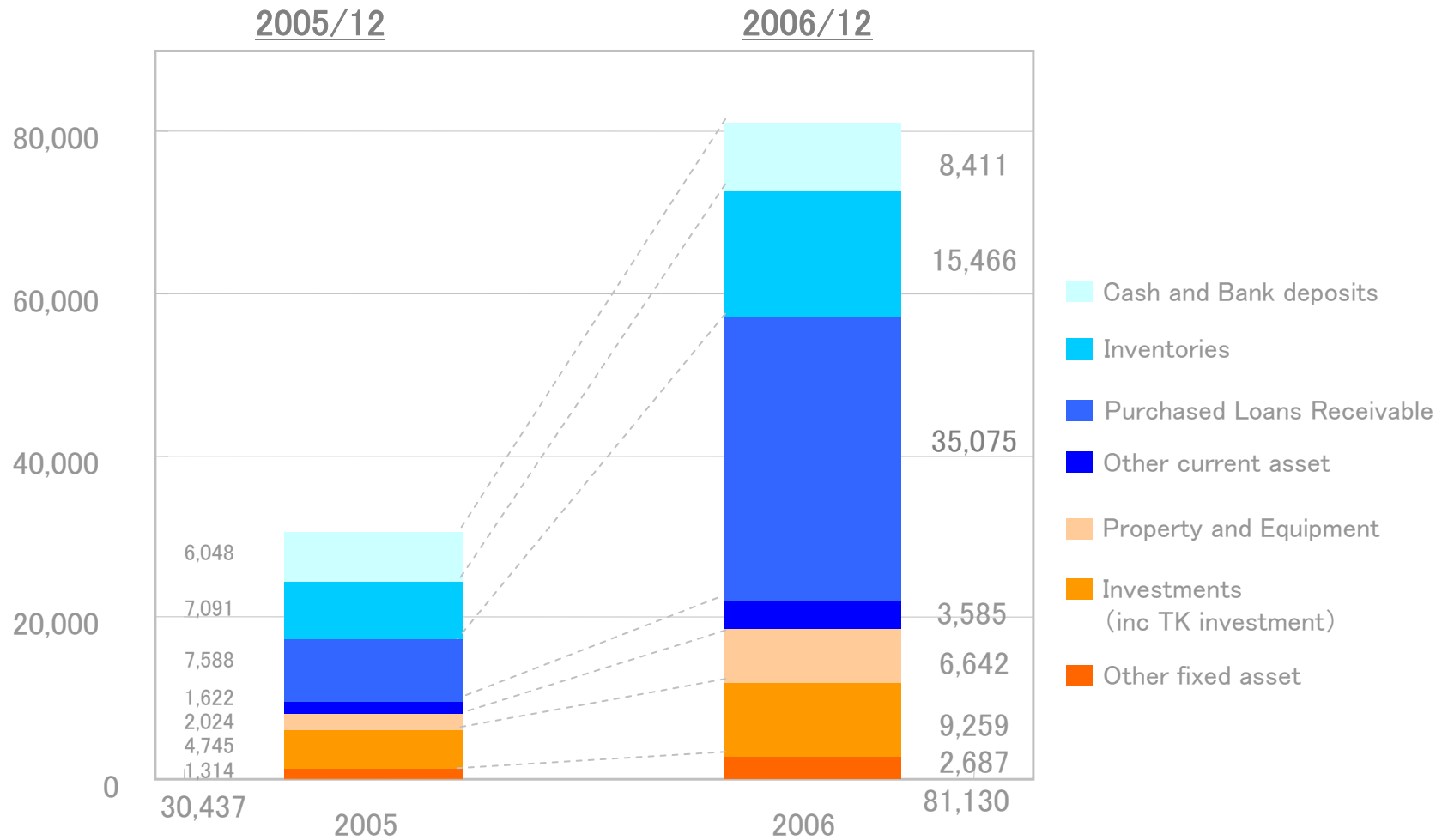
	2004	2005	2006		
	Dec	Dec	Dec	Ratio	YTY
Revenue	4,526	9,152	16,607	–	181.5%
Principal Investment	2,946	5,602	11,055	64.6%	197.3%
Fund Management	207	1,575	3,356	19.6%	213.1%
Investment Banking	1,372	1,994	2,700	15.8%	135.4%
Internal Sales (▲)	0	(19)	(504)	–	–
Operating Profit	1,792	2,812	6,490	–	230.8%
Principal Investment	662	1,259	3,085	41.7%	245.0%
Fund Management	76	990	2,583	34.9%	260.9%
Investment Banking	1,052	1,216	1,725	23.3%	141.9%
Overhead Cost Adjustment (▲)	(512)	(654)	(905)	–	–

(Less than unit is omitted.)



Financial Standing ~ Asset (Consolidated)

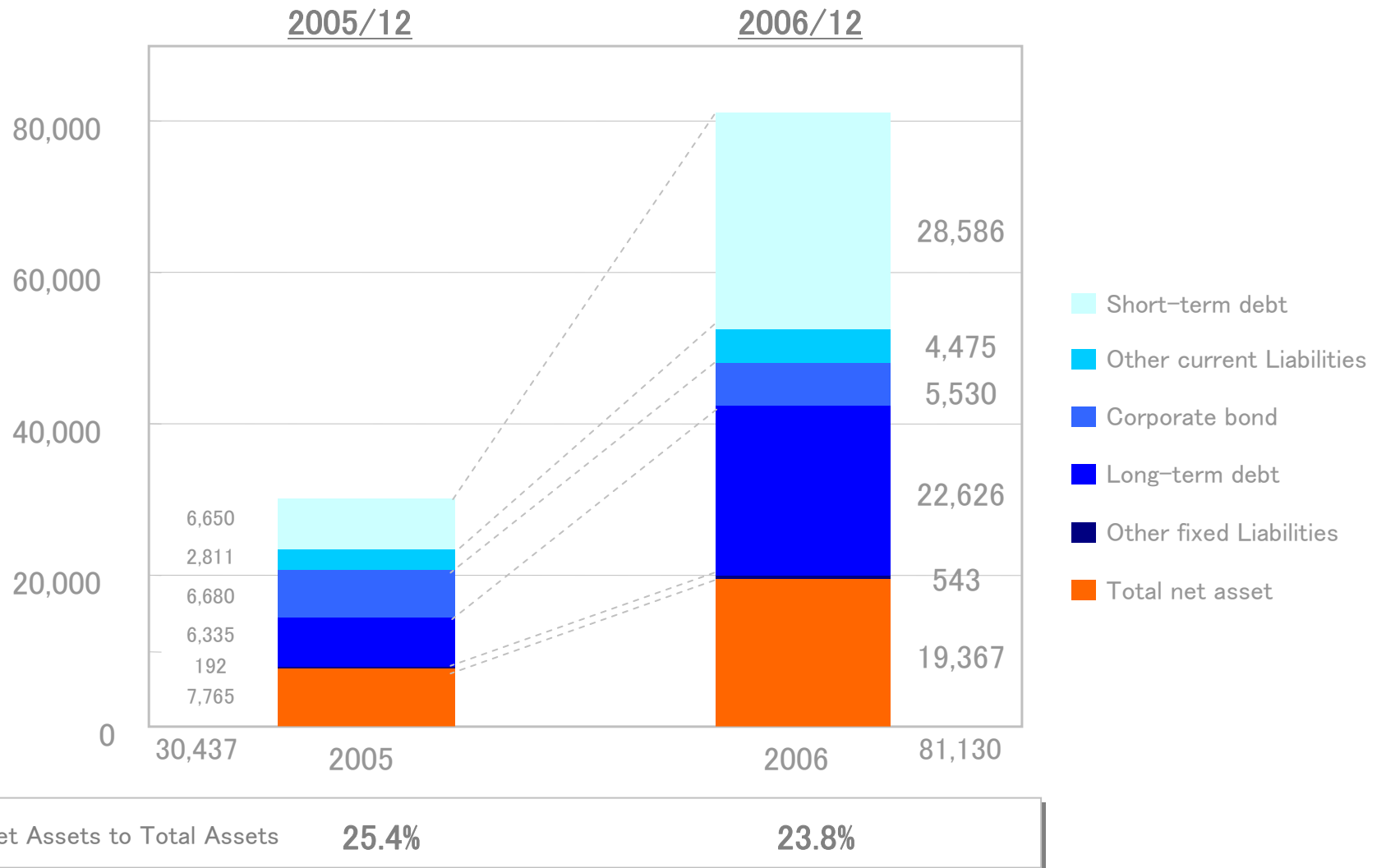
(in millions of yen)





Financial Standing ~ Liabilities/Equity (Consolidated)

(in millions of yen)



Balance Sheet Summary (Consolidated)

Item	2004	2005	2006		
	Dec	Dec	Dec	Ratio	YTY
Current Assets	8,855	22,351	62,539	77.1%	279.8%
Cash and bank deposits	4,747	6,048	8,411	10.4%	139.1%
Inventories	1,931	7,091	15,466	19.1%	218.1%
Purchased Loans Receivable	1,669	7,588	35,075	43.2%	462.2%
Other current assets	506	1,622	3,585	4.4%	221.0%
Fixed Assets	3,163	8,086	18,590	22.9%	229.9%
Property and Equipment	1,627	2,024	6,642	8.2%	328.2%
Intangible fixed assets	2	354	375	0.5%	105.9%
Investments	1,347	4,745	9,259	11.4%	195.1%
Other fixed assets	184	960	2,312	2.8%	240.8%
Total Assets	12,018	30,437	81,130	100.0%	266.6%

Item	2004	2005	2006	
	Dec	Dec	Dec	YTY
Net Asset	5,994	7,734	19,367	250.4%
Total Asset	12,018	30,437	81,130	266.6%
Net Assets to Total Assets	49.9%	25.4%	23.8%	—
Shares Issued	104,968	110,660	133,930	121.0%

(in millions of yen)

Item	2004	2005	2006		
	Dec	Dec	Dec	Ratio	YTY
Current Liabilities	3,951	9,463	33,062	40.8%	349.4%
Short term debt	3,136	6,650	28,586	35.2%	429.9%
Other current liabilities	814	2,811	4,475	5.5%	159.2%
Long-term Liabilities	12,986	13,208	28,699	35.4%	217.3%
Corporate bond	130	6,680	5,530	6.8%	82.8%
Long-term debt	1,831	6,335	22,626	27.9%	357.2%
Other long-term debt	103	192	543	0.7%	282.8%
Total Liabilities	6,016	22,671	61,762	76.1%	272.4%
Minority Interests	8	31	—	—	—
Commons stock	2,339	2,471	6,852	8.4%	277.3%
Capital stock	2,477	2,608	6,990	8.6%	268.0%
Retained earnings	1,177	2,556	5,421	6.7%	212.1%
Others	—	97	103	0.1%	106.2%
Total Net Assets	5,994	7,734	19,367	23.9%	250.4%

※Minority Interests is included in "Others" of net assets in Sep 2006.

(Less than unit is omitted.)



Status of Funding (Consolidated)

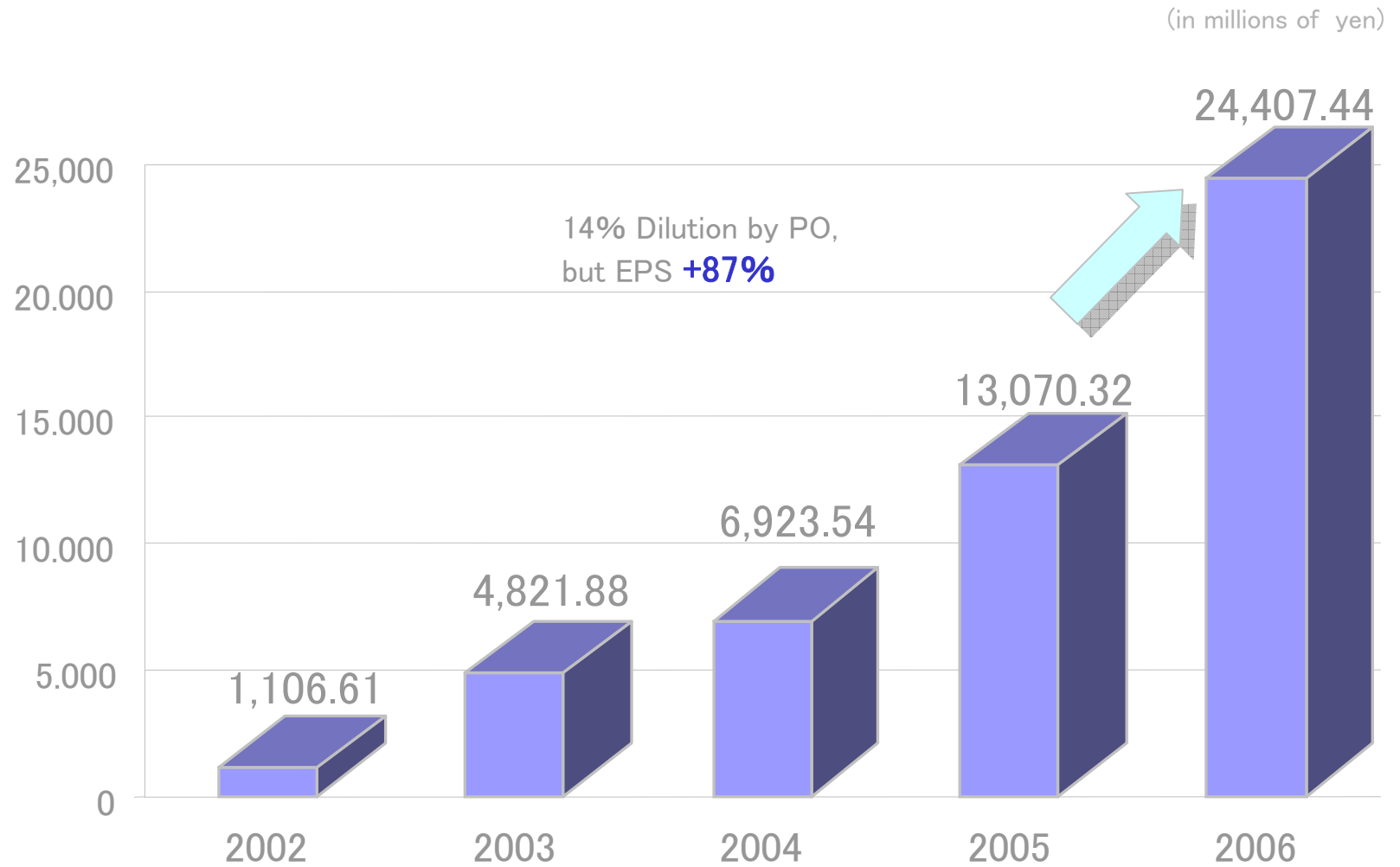
(in millions of yen)

Operating Funds		Procuring Funds	
Investment Activity		Net Operating Income	5,178
Real estate investment	8,375		
NPL/SPL investment	27,487		
TK investment	2,994		
Securities	335	Debt	
Property and equipment	4,775	Short-term debt	15,858
Others	2,412	Long-term debt	22,369
Sub-total	46,378	Sub-total	38,227
Others		Equity Finance	8,322
Tax	1,269		
Allotment	164		
Corporate bond	660		
Others	924		
Sub-total	3,016		
Cash Equivalent Increase	2,333		
Total	51,727	Total	51,727

*NPL/SPL investment = Purchased Loans Receivables



Net Operating Income per Share (Consolidated)



Note: Stocks were split into 4 in 2004, and Net Operating Income per Share of 2002 and 2003 in the graph is adjusted to this.



1. FY2006 Overview

2. Segment Overview

3. Medium-Term Business Plan 2007~2009



Principal Investment ~ Sub-Segment

■ Small Asset Program
(SAP) Investment

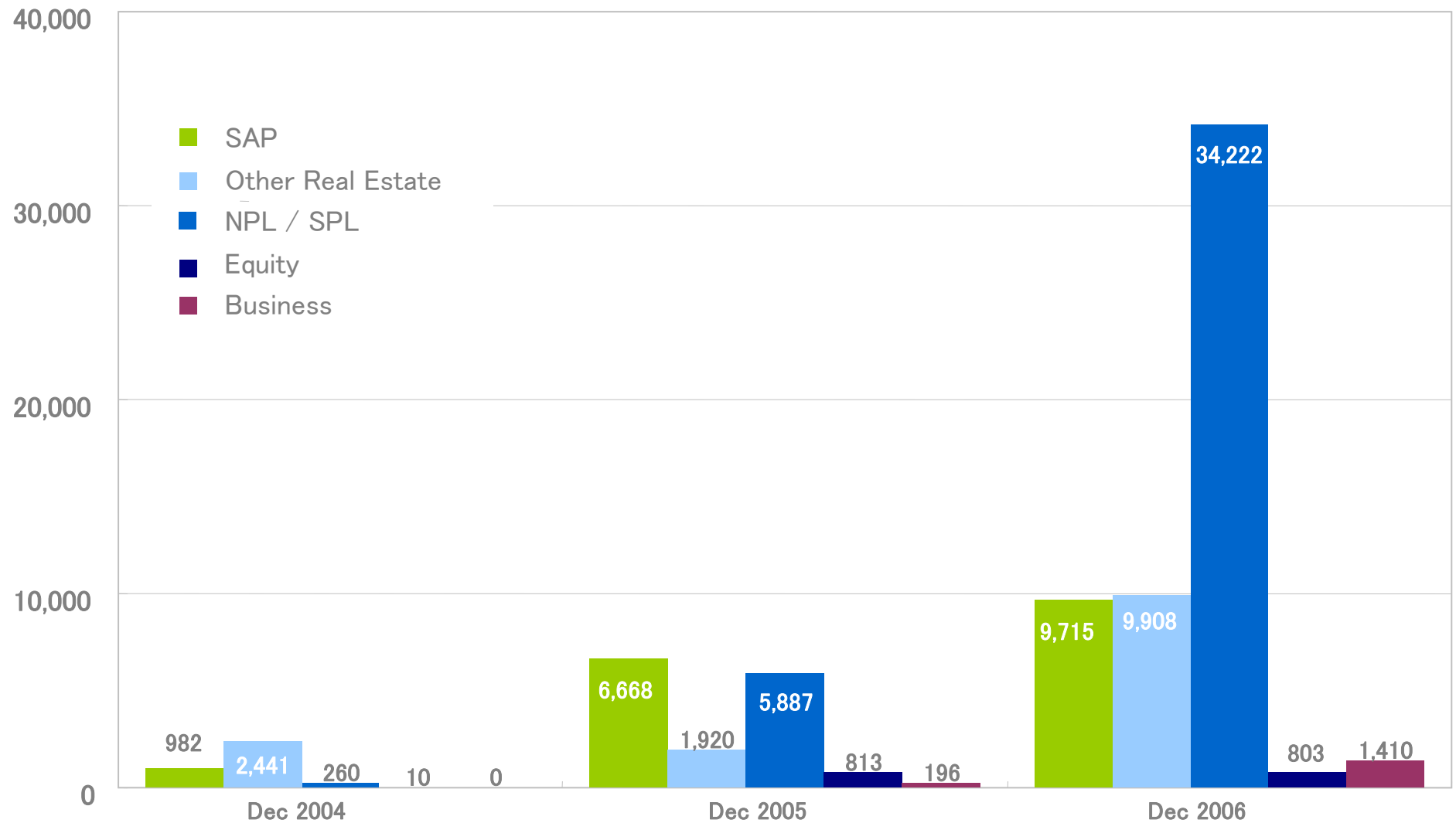
■ NPL/SPL Investment

■ Equity Investment



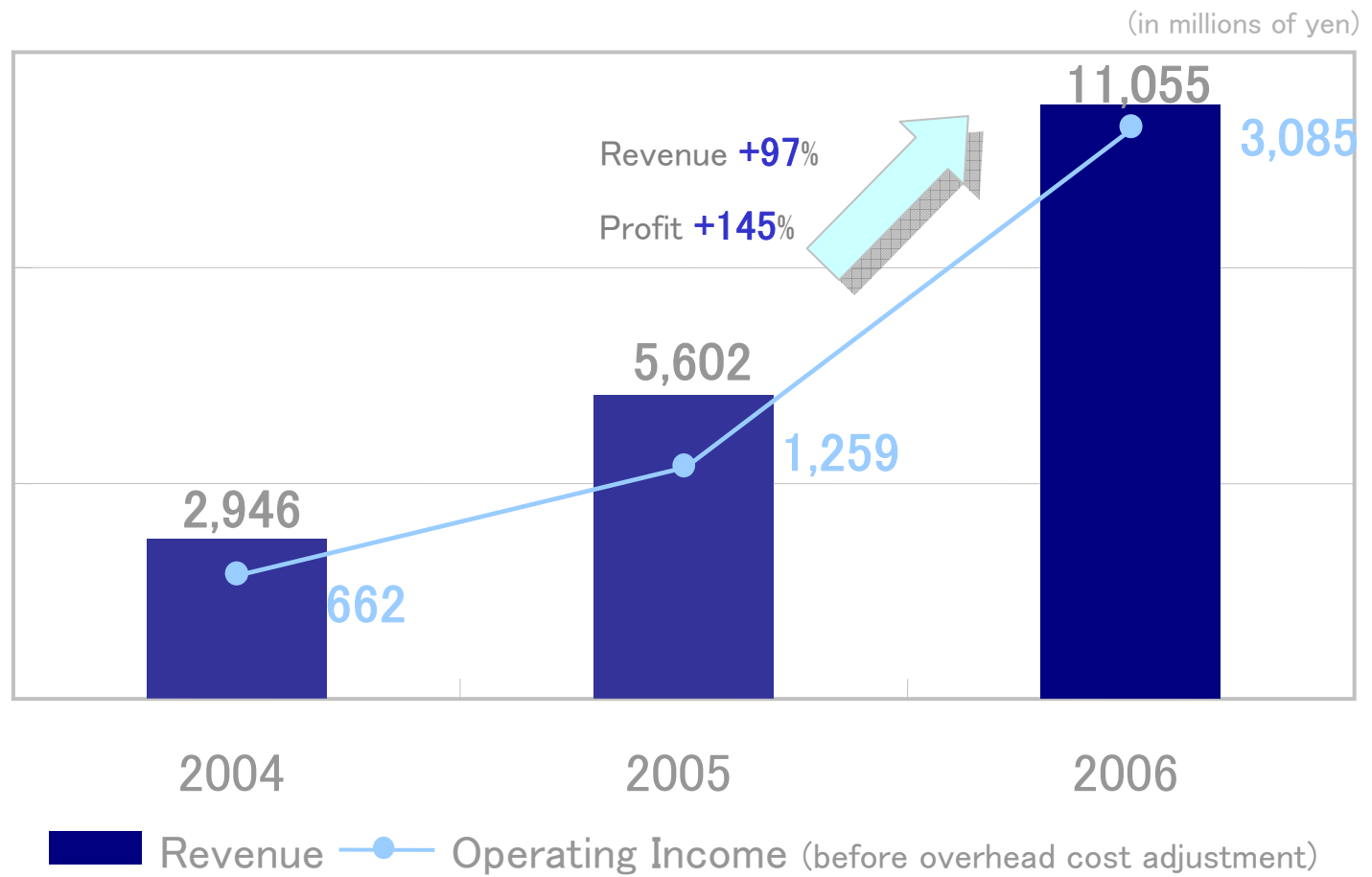
Principal Investments Balance

(in millions of yen)





Principal Investment ~ Revenue & Operating Income





Principal Investment : SAP

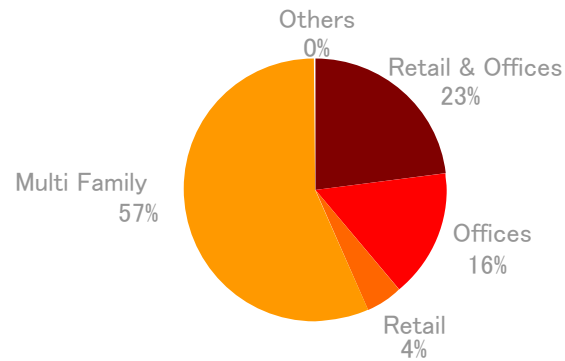
SAP = Small Asset Program

- Property Below 750 mil Yen
- 1 Year Holding Period
- Value-Up
- Nationwide
- Ample Opportunity
- In-House Valuation
- In-House Asset Management
- 15%–18% GOP (100% leverage)
- 20–30% Investments Increase in one Year

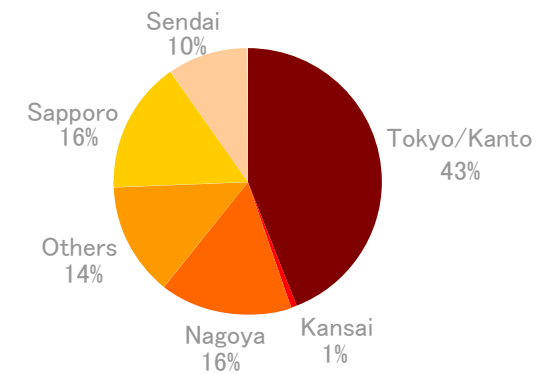


(As of Dec 2006)

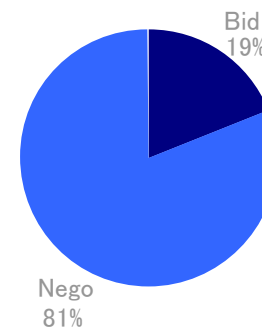
Property Type



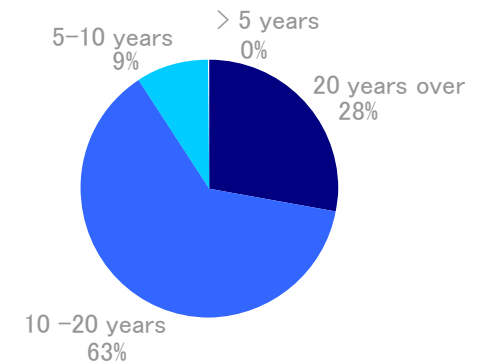
Location



Bid or Nego



Age



(investment amount basis)

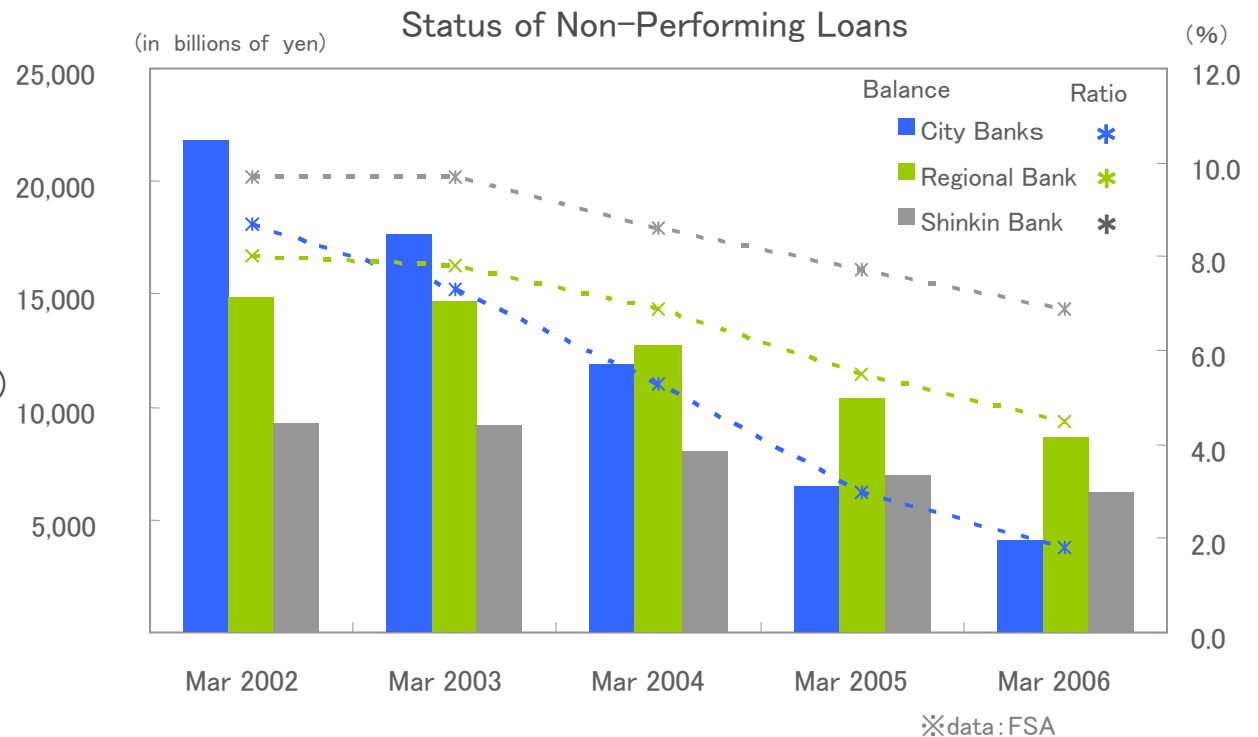


Principal Investment : NPL/ SPL Investment

NPL = Non Performing Loan

SPL = Sub Performing Loan

- Purchase From Banks
- In-House Valuation
- In-House Servicing (RISA-Servicer)
- 1-3 Year Holding
- IRR 10-15% (before leverage)



City banks have almost finished disposal of NPL/SPL. On the other hand regional banks and Shinkin banks—Risa's important business partners—haven't finished yet.

Principal Investment : Equity Investment

Equity Investment

- Opportunity Mainly From Banks
- Distressed Situation Plus
- Growing Company Situation
- 3-5 Year Holding
- 10-30% IRR

FY2006 Main Exit Deal

Kanaya Hotel

(Hotel, Tochigi)





Fund Management ~ Sub-Segment

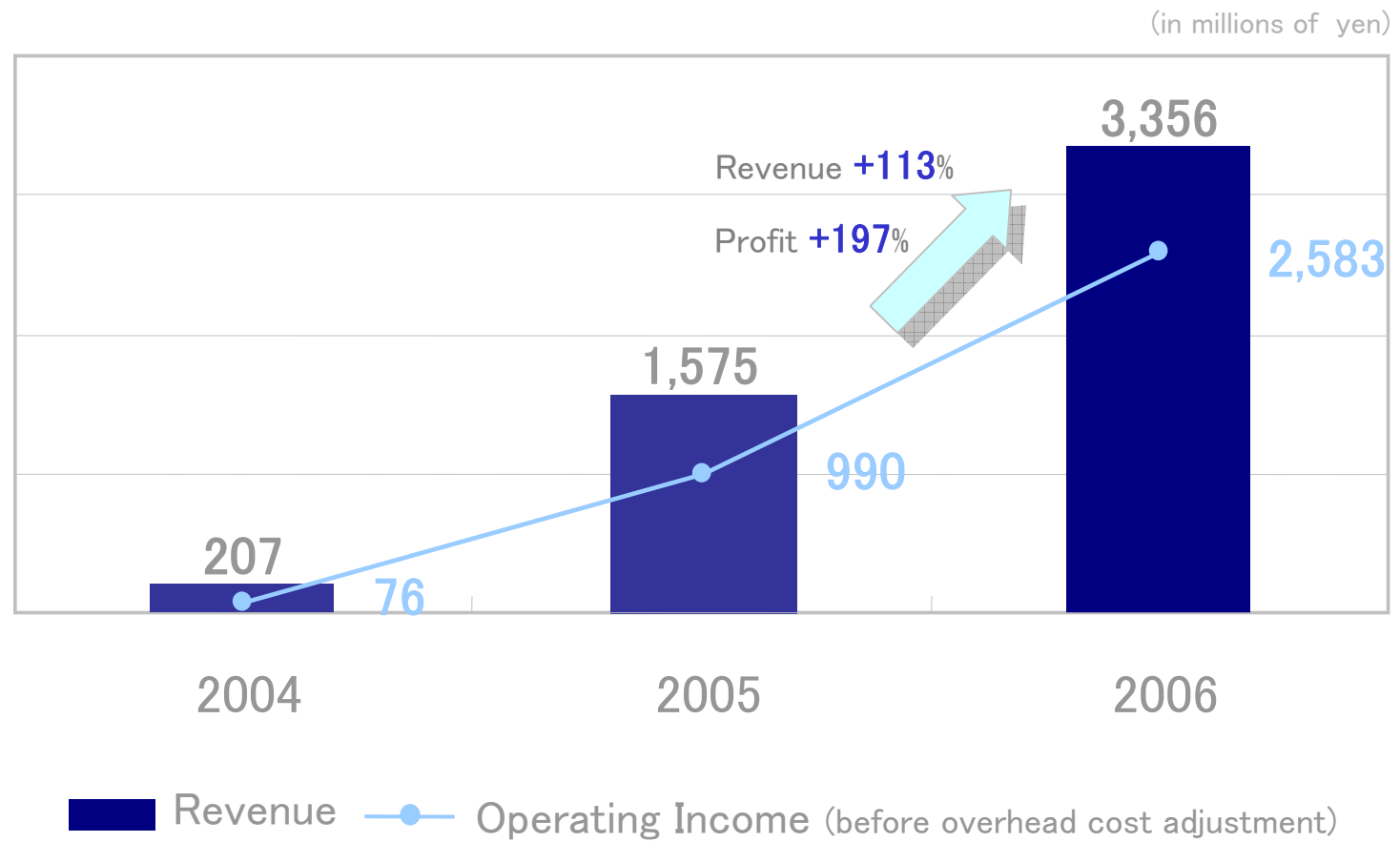
■ SREI / Cypress Co-Investment Program

■ RCR Fund

■ Solution Fund



Fund Management ~ Revenue & Operating Income





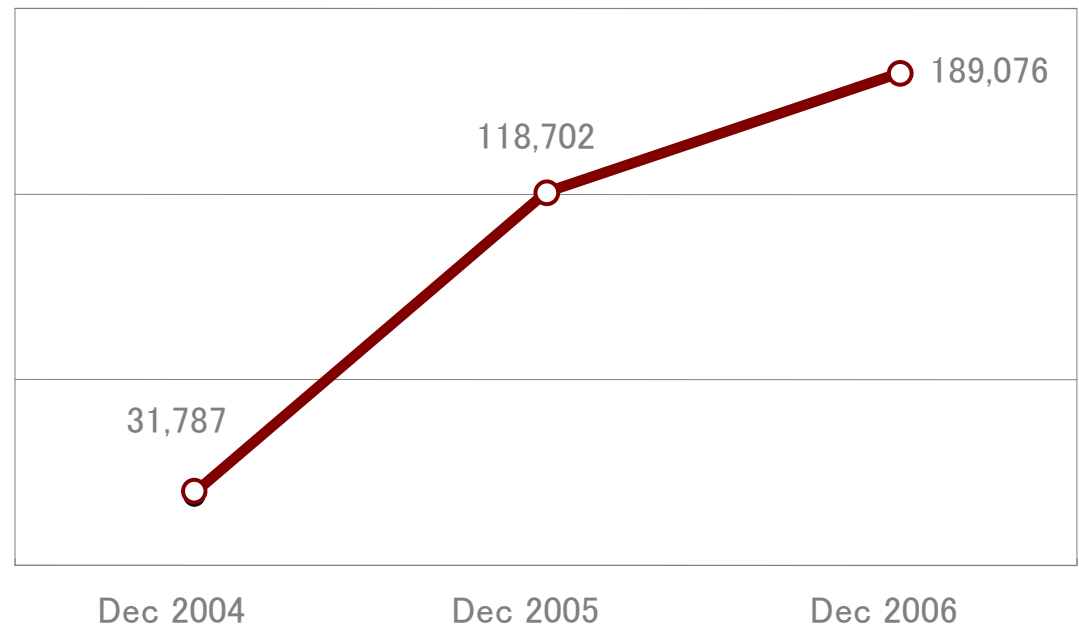
Fund Management : SREI / Cypress Co-Investment Fund

SREI/Cypress Co-Investment Fund (Hayato Program)

- Opportunistic Investment
- Targeting purchase of annual 100 billion Yen
- Hard Assets / NPL / Company
- 2-7 Year Holding
- 20+% IRR (after leverage)
- Asset Management by RISA
- 50-150 bps Asset Management Fee From Co-Investment Fund



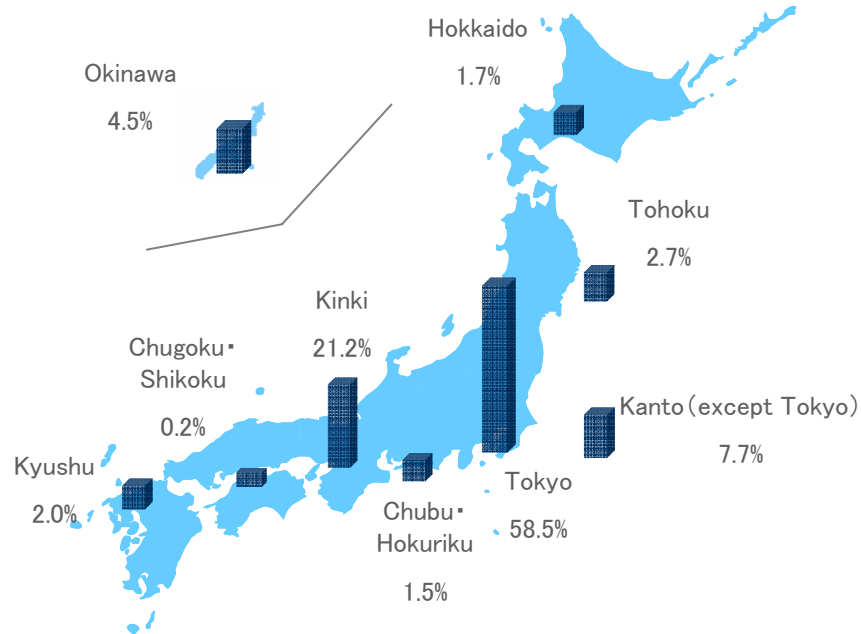
Hayato Program Accumulated Investment (total basis) (in millions of yen)



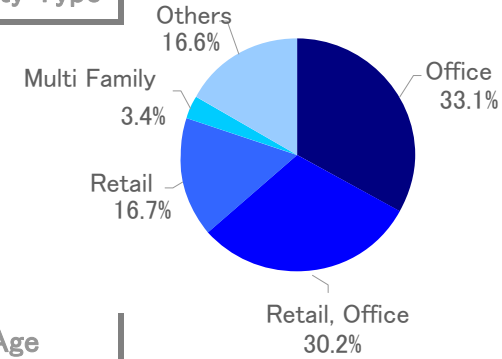
Fund Management: SREI / Cypress Co-Investment Fund Portfolio

(As of Dec 2006)

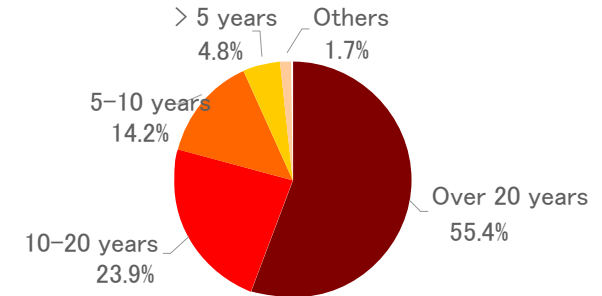
Location



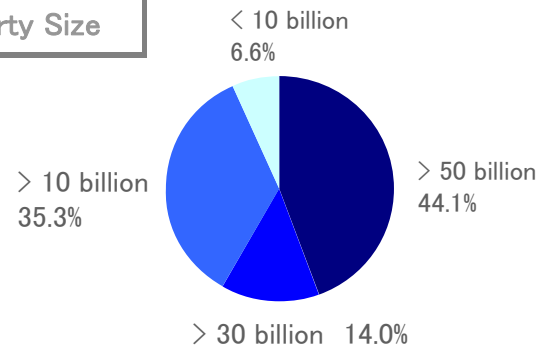
Property Type



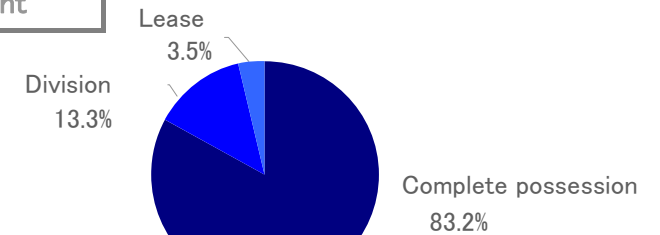
Age



Property Size



Right



(total basis)



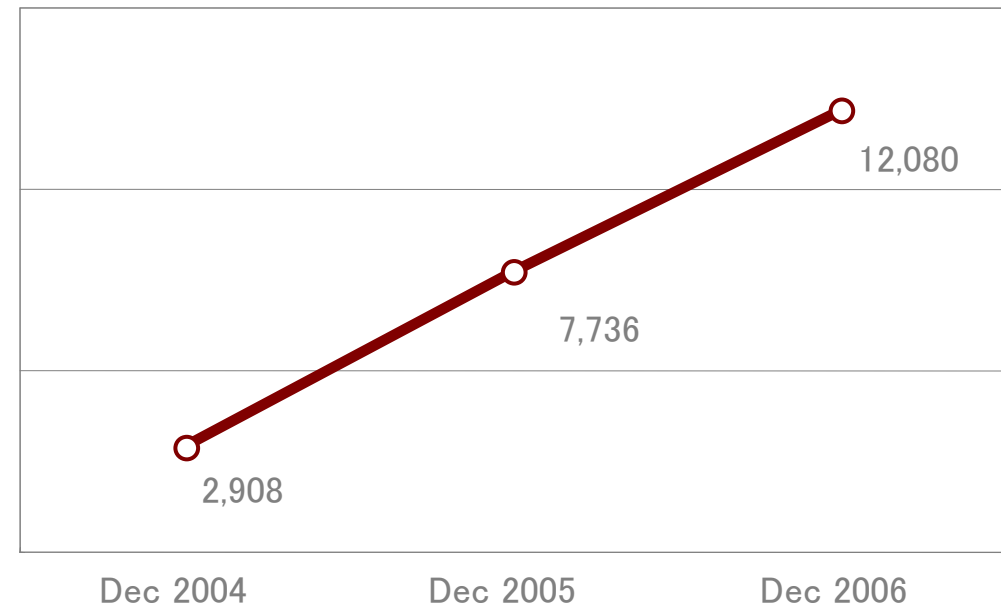
Fund Management : Regional Corporate Restructuring Fund

Regional Corporate Restructuring Fund

- Opportunities from Banks
- Hands-On Effort by RISA & Banks
- Any Industry
- 1-3 Year Horizon
- 8% IRR (before leverages)
- 8 billion Yen to 12 billion yen
- 40-300 bps Asset management Fee From RCR Fund
- 18 Funds (Total 12 billion yen)
- Alliance with 55 Financial Institutions
- GP role at 4 Prefectural Funds (Ehime、Saitama、Okinawa、Chiba)
- Shinkin Banks, too

Regional Corporate Restructuring Fund (on commit basis)

(in millions of yen)



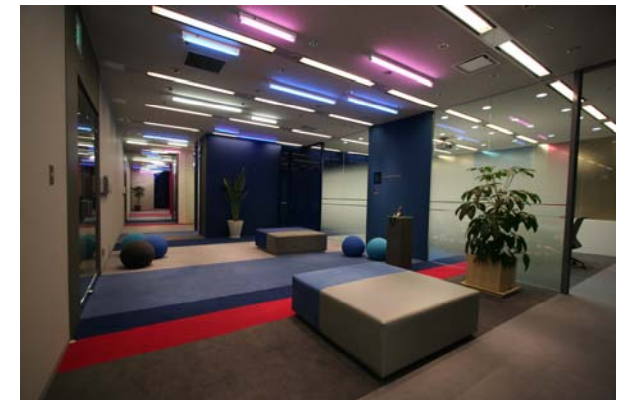


Fund Management : Solution Fund

RISA Corporate Solution Fund

In September 2006, RISA formed the “RISA Corporate Solution Fund” that strategically improves corporate value by utilizing RISA’s know-how and capabilities related to real estate and finance. It is a unified effort by RISA and our group companies including RIFAS, Frontier Management etc.

- Opportunistic Investment
- Offer Solutions for Invested Companies
- NPL/SPL / Company
- Distressed Companies
- Growing Companies
- 10% IRR (before leverages)
- Expand investment from JPY 10 billion to JPY 20 billion by March 2007 (on commit basis)





Investment Banking ~ Sub-Segment

■ Solution Business

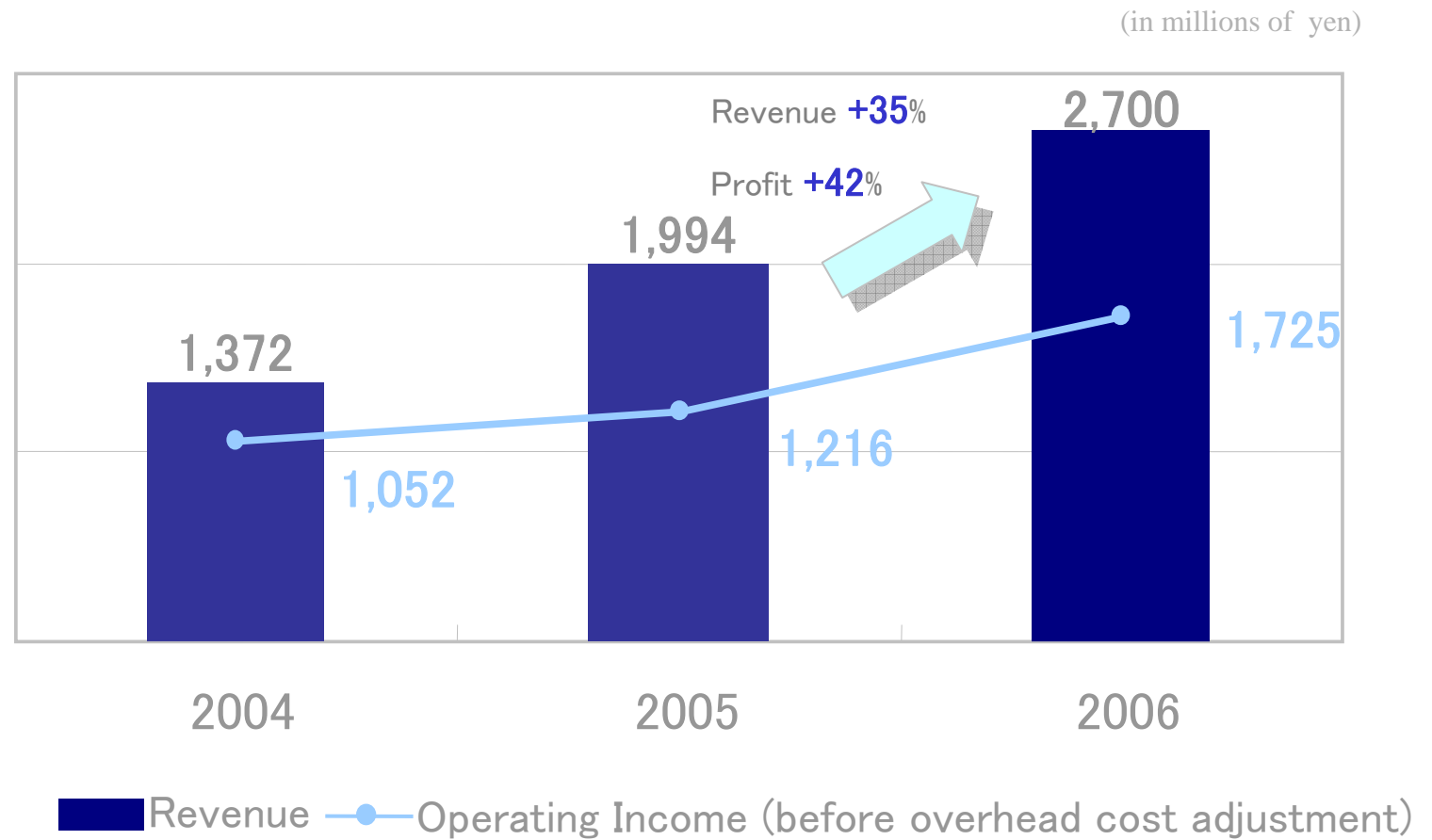
■ Corporate Recovery / Financial Advisory

■ Transaction Services

(Due Diligence, Loan Servicing)



Investment Banking ~ Revenue & Operating Income



* Includes internal sales



Investment Banking : Solution Business

Solution Business

- Fee Plus Investment
- Opportunities from Banks / NPL
- Hybrid Skills (Financial & Property)

FY2006 Main Exit Deal

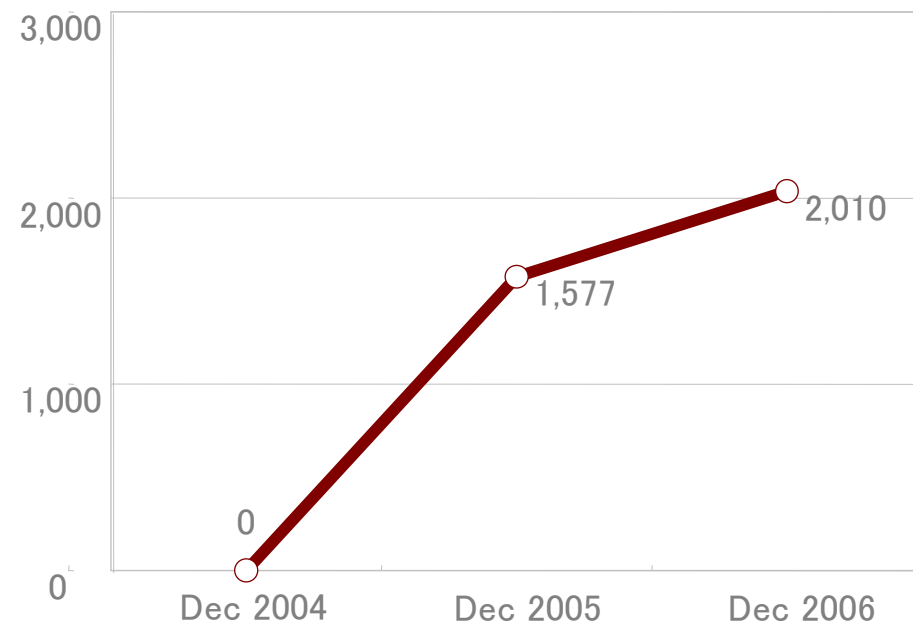
Musashino Kogyo (TSE II #9635)

(Movie Theater Operator , Tokyo)



Solution Business Investment Balance

(in millions Of yen)





Corporate Recovery / Financial Advisory

- Many Opportunities
- M&A Advisory
- Turn Around Management
- Operation Support



In Jan 2007, RISA, Shoichiro Onishi, and Masahiro Matsuoka established **FRONTIER MANAGEMENT, Inc.** Shoichiro Onishi is a Lawyer and former Managing Director of IRCJ (Industrial Revitalization Corporation of Japan) . Masahiro Matsuoka is a Security Analyst and former Managing Director of IRCJ.

FRONTIER MANAGEMENT, Inc. is a business reproduction / M&A advisory company who are experts in various specialized fields of corporate management administration.



Investment Banking : Transaction Services

Due Diligence

- Gathering function in Rifas
- RISA Group has conducted more than 35,000 cases of due diligence so far since its inception.
- Based on the accumulated data / know-how, we provide reliable services in an efficient manner.
- Bank Loan Valuation / Appraisal
- Real Estate Valuation / Appraisal
- Real Estate Due Diligence
- Corporate Valuation / Appraisal

Loan Servicing

- RISA Serviser (RISA Loan Servicing, Inc.)
- Rating Fitch CSS3+

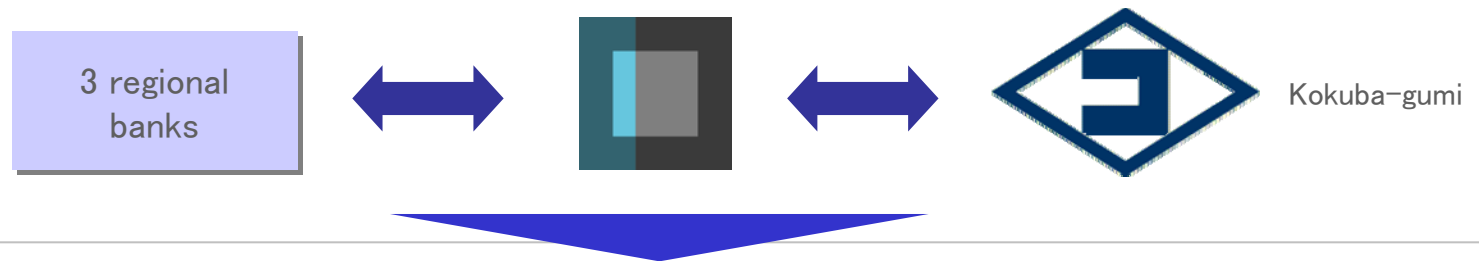




Introduction of Okinawa Business

In March 2006, RISA Partners purchased nonperforming loans for Kokuba-gumi, the largest construction company in Okinawa. Afterwards, Kokuba-gumi has been building up a strategic partnership with us. In addition, RISA has a close alliance with three local regional banks, which helps our various businesses develop rapidly.

➤ Partnership of local powerful enterprise



Co-Investment: Kokueikan Project



Co-Investment: Resort Development



Principal Investment:
Commercial Building Development



1. FY2006 Overview

2. Segment Overview

3. Medium-Term Business Plan
2007~2009



-
- ■ Long-Term Vision

 - ■ Analysis of Business Environment Surrounding RISA Partners

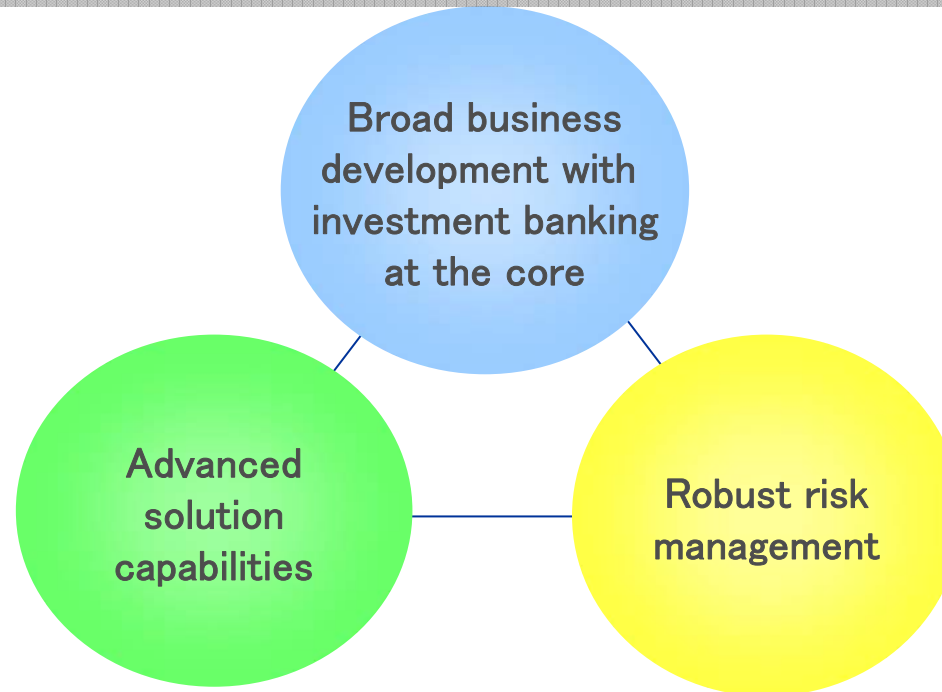
 - ■ Company-Wide Strategy

 - ■ Segment Strategy

 - ■ Numerical Targets in the Medium-Term Business Plan

Long-Term Vision

While remaining primarily an investment bank centering on financial and real estate businesses, develop into Financial Conglomerate



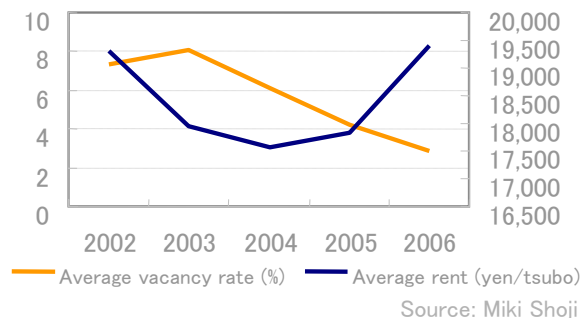
As an investment bank possessing financial and real estate strengths, RISA Partners will develop into a unique financial conglomerate by accelerating growth of its principal investment, fund and investment banking businesses and also proactively take on the challenge of tapping new business domains

Analysis of Business Environment Surrounding RISA Partners (1) ~ Real Estate Market

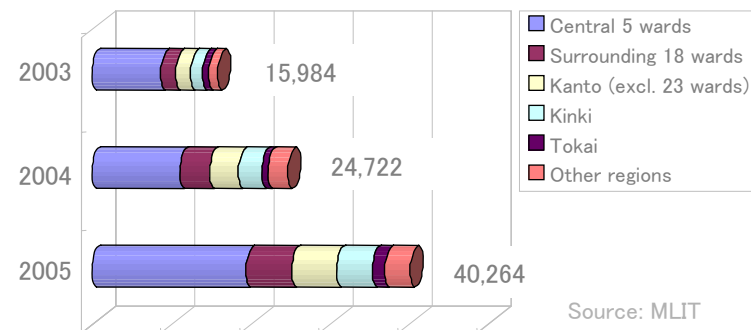
Upward trend in real estate conditions

- ✓ Office rents are on the rise in large metropolitan areas centering on Tokyo, and demand and supply continues to be strong. In correlation with this, the upward trend in land prices is becoming conspicuous and there is also more active real estate investment in regional areas.
- ✓ Compared with yield caps overseas, there is still a substantial positive cap in Japan and the motivation of overseas investors to invest is expected to remain strong for some time.

Changes in Average Rents and Vacancy Rates (Tokyo CBD)



Trends in the Properties Owned by J-REITs in Each Region



Regulatory developments in real estate funds

- ✓ With the expansion in the scale of real estate investment funds, recent years have seen increasing regulatory developments such as reinforced disclosure requirements and stricter basis of consolidation for SPCs resulting from the Financial Instruments and Exchange Law, etc. In addition, there is also a growing tendency for more rigorous examination of non-recourse loans and trusts at financial institutions.
- ✓ In the face of such movements, the environment is such that greater transparency and accountability are being demanded in fund management. While some areas will see stricter selection, this will likely lead to healthy market growth over the long term.



Analysis of Business Environment Surrounding RISA Partners (2) ~ Corporate Market

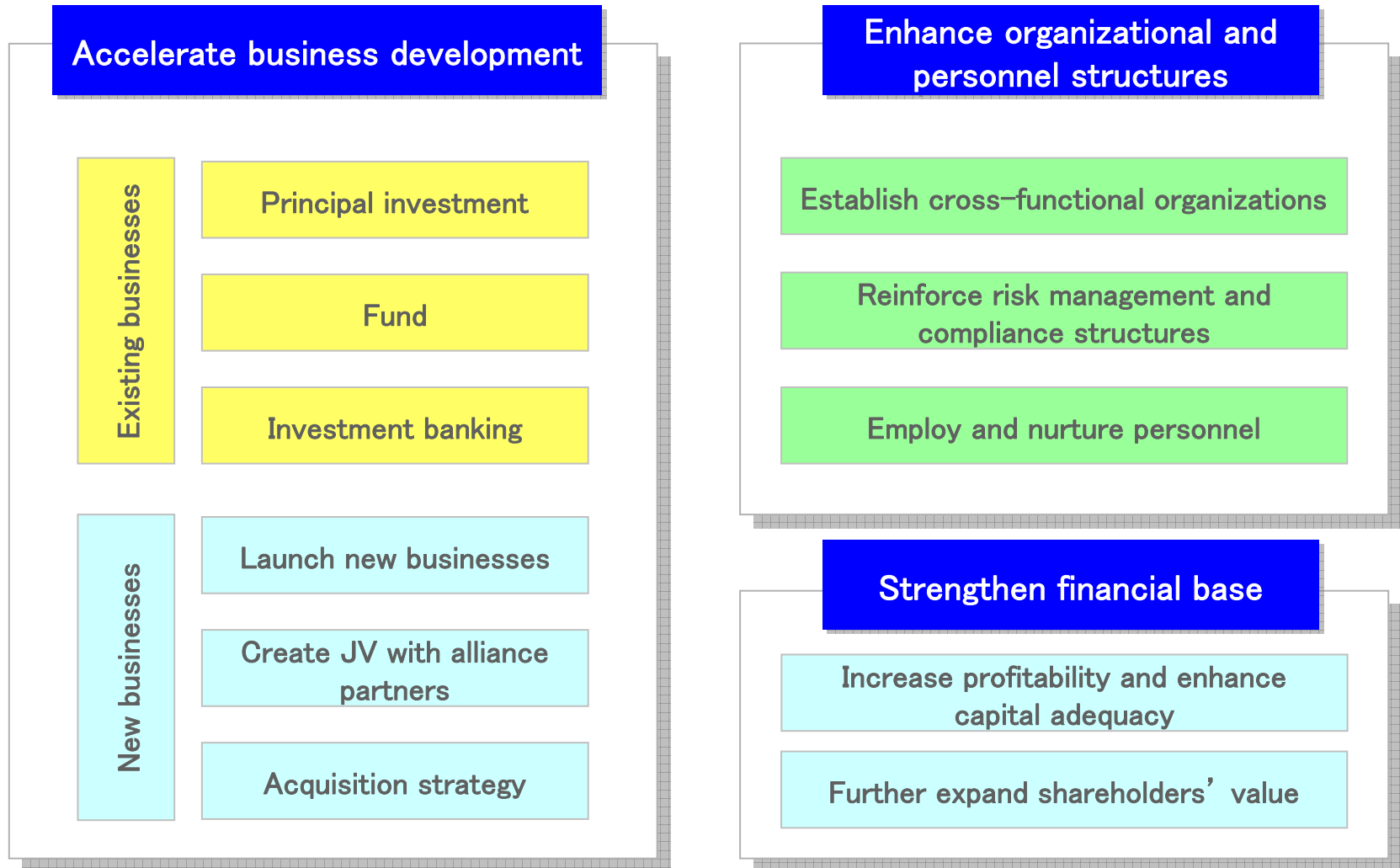
Trend in disposal of non-performing loans

- ✓ The main battlefield in the market for disposal of non-performing loans is shifting from mega banks to regional financial institutions.
- ✓ Looking individually at regional financial institutions, although, on the one hand, there are financial institutions where the disposal of non-performing loans is well underway, there is a great disparity in the speed of disposal of non-performing loans depending on financial stability.
- ✓ In recent years, regional financial institutions have been increasingly active in restructuring and, in conjunction with such measures, are accelerating their disposal of non-performing loans.
- ✓ Hereafter, the disposal of non-performing loans is likely to shift into full swing not only at regional financial institutions but throughout the public sector as well.

Growing M&A needs

- ✓ Targeting business restructuring, accelerating growth, etc., corporate M&A needs are growing rapidly. Moreover, considering that Company Law amendments and legislative preparations to prohibit triangular mergers, etc. are being implemented, this trend will likely further accelerate.
- ✓ In regional economies, the needs for business succession of SMEs are heightening and there are an increasing number of firms engaging in M&As.

Company-Wide Strategy



Segment Strategy (1) ~ Principal Investment

Further expansion of investment scale

Small real estate investment (SAP)

- Aim for a 20–30% level annual scale expansion based on careful study of the revenue-generating abilities and exit strategies of individual properties.
- Flexibly respond to investment opportunities that arise, including properties that are still under development.



Loans receivable investment

- Ensure that the needs of mega banks and regional financial institutions to dispose of non-performing loans are captured and seek annual investment on a 20–30 billion yen level.
- Rather than merely conducting debt collection, also proactively pursue real estate investment and corporate investment opportunities by fulfilling unique solution functions.



Corporate equities investment

- Carefully examine investment projects based on an opportunistic stance.
- Proactively join forces with parties that are synergistic with RISA Partners from the perspective of reinforcing group functions.



Segment Strategy (2) ~ Fund Management

Expand fund scale and create new revenue pillar

Joint real estate investment

- Execute new investments of about 100 billion yen annually. Meanwhile, replace properties in the portfolio by observing the market environment and implementing exits at the optimal timing for existing investment properties.
- Engage in projects that are still under development more proactively.
- Take ongoing measures to strengthen the organizational and personnel structures in correlation with fund scale expansion.

Solution fund

- Utilize the functions possessed by the RISA Group in an integrated manner and strategically invest into equity and debt.
- Aim to complete investment of the first RISA corporate solution fund (presently 10 billion yen; to be 20 billion yen at the end of March) at an early date and also aim to form a subsequent fund.

Regional corporate turnaround fund

- Continue serving in key roles as a means to enhance relationships with regional financial institutions.
- Continue accumulating investment projects with joint public-private funds.





Segment Strategy (3) ~ Investment Banking

Boost solution business and corporate advisory functions

Solution business

- Disposal of non-performing loans is shifting from outright sale to turnaround types and needs for multiple solutions are markedly increasing.
- Proactively pursue multiple investment opportunities, including loans receivable, real estate and liquidation and equity investments, to expand investment scale.

Corporate advisory

- With M&A and corporate restructuring trends accelerating and considerably more target firms, the need for advisory services are steadily growing.
- RIFAS, a subsidiary that provides advisory services, will strategically launch its advisory business in earnest with Frontier Management that was established in January 2007 with the start of full-scale operations.

Transaction service

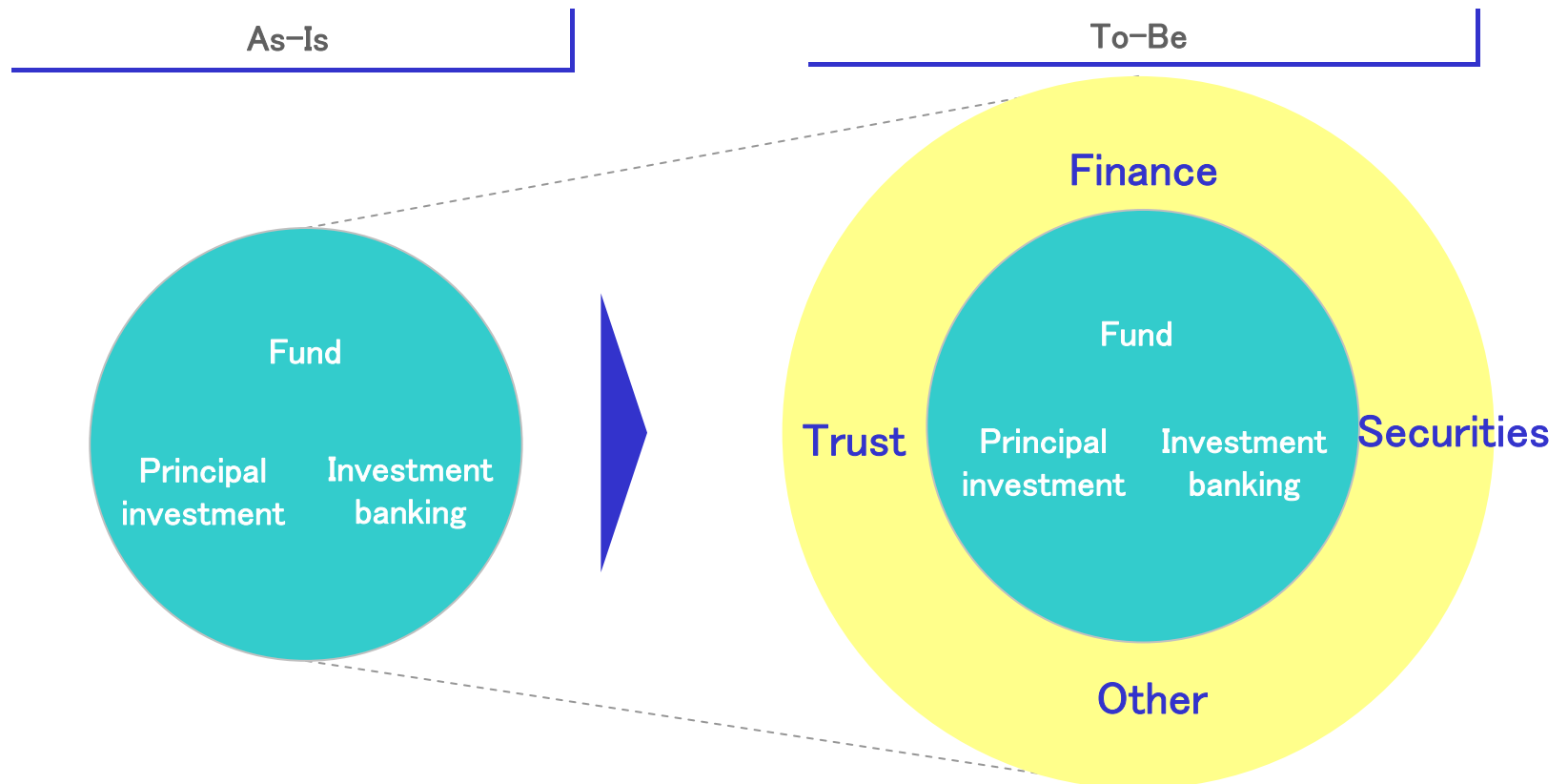
- Backed by a favorable investment environment, market needs for due diligence and loan servicing will remain strong.
- At RISA Partners, however, the volume of in-house operations is on the rise and thus robust business performance is anticipated in terms of revenue



Segment Strategy (4) ~ New Businesses

Increasingly enhance financial-related functions while remaining primarily an investment bank

- ◆ While remaining primarily an investment bank engaged in financial and real estate businesses, as RISA Partners is today, proactively also challenge new financial-related businesses
- ◆ Upon entry into new fields, consider alliances with external partners and acquisitions of other firms





Numerical Targets in the Medium-Term Business Plan (1)

(in millions of yen)

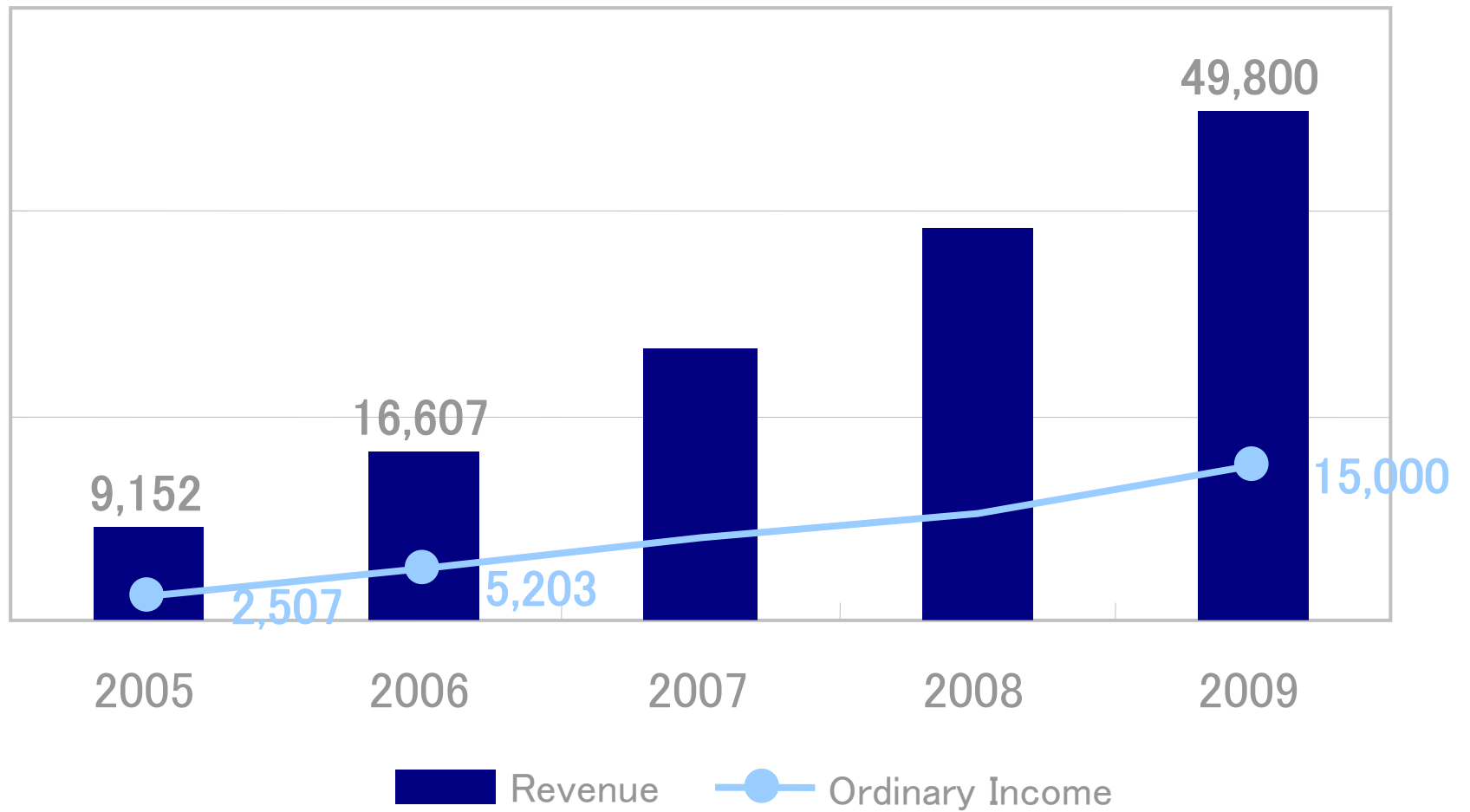
	Fiscal 2006	Fiscal 2009
Revenue	16,607	49,800
Operating Income	6,490	17,200
Ordinary Income	5,203	15,000
NOI	3,030	8,200



Numerical Targets in the Medium-Term Business Plan (2)

~ Increase ordinary income to the 15 billion yen level in Fiscal 2009 ~

(in millions of yen)





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