

**Consolidated Financial Results for First Quarter of Fiscal 2006,  
Ended March 31, 2006  
(Translation of Japanese Flash Report, Released on May 12, 2006)**

Company name: RISA Partners, Inc.

Stock listing: Tokyo Stock Exchange (1st section)

Code number: 8924

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**1. Matters Concerning the Preparation of Quarterly Consolidated Financial Information**

(1) Adoption of simplified accounting methods: No

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

***Change to business segments***

RISA Partners has changed the categories for the business segments of the Group to the three, which are the principal investment, funds, and investment banking from the current first quarter.

For more details, see Qualitative Information on Consolidated Business Performance and Supplementary Material, (Outline) Quarterly Financial Statements (4) 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, the 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 has increased. Therefore, from the current first quarter, RISA Partners has changed to the accounting treatment involved in the investment business of recording the expenses 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 taxes rose ¥92 million and net income for the quarter rose ¥53 million in the first quarter as compared to the previous method.

(3) Changes in Consolidation and Scope of Application for Equity Method: Yes

Newly consolidated companies: 4

Excluded consolidated companies:

Newly included under equity methods;

Excluded under equity method:

**2. Performance in First Quarter of Fiscal 2006 (from January 1, 2006 – March 31, 2006)**

(1) Results

(Millions of yen, except for per share figures)

	Net Sales	Operating Income	Ordinary Income
First Quarter of Fiscal 2006	¥2,229 (101.9%)	¥824 (96.2%)	¥731 (98.6%)
First Quarter of Fiscal 2005	¥1,104 (55.7%)	¥420 (94.2%)	¥368 (132.9%)
Fiscal 2005	¥9,152 (102.2%)	¥2,812 (119.9%)	¥2,507 (125.3%)

  

	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
First Quarter of Fiscal 2006	¥431 (89.0%)	¥3,861.54	¥3,142.33
First Quarter of Fiscal 2005	¥228 (150.8%)	¥2,173.22	¥1,890.07
Fiscal 2005	¥1,379 (119.5%)	¥13,070.32	¥10,615.78

Notes: 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 on Consolidated Business Performance

In the current first quarter (January 1, 2006 – March 31, 2006), the Japanese economy maintained its overall tone of recovery as further improvement was witnessed in corporate performance with accompanying growth in capital expenditure, and private consumption also rose moderately. Moreover, there was progress in breaking out of the deflationary economy, and the quantitative easing policy, which had been maintained since March 2001, was abandoned.

In the financial industry, which is RISA Partners' business territory, the disposal of non-performing loans (NPLs) by financial institutions remained steady with the tone of economic recovery. In particular, regional financial institutions vigorously promoted measures aimed at corporate restructuring in light of the Action Program concerning Enhancement of Relationship Banking Functions, which the Financial Services Agency unveiled on March 29, 2005.

Moreover, investment funds are continuing to flow into the real estate market from Japan and overseas through J-REITs and real estate private placement funds, and real estate transactions have remained brisk. At the same time, real estate prices in areas with outstanding convenience and living environments have shifted into growth.

In this business environment, all of our business segments, primarily corporate restructuring, and the securitization of real estate and receivables, have performed robustly, and the RISA Partners Group has been successful in steadily improving its overall performance.

As a result, RISA Partners recorded substantial growth in revenue and profit with sales of ¥2,229 million, up 101.9% year on year, ordinary income of ¥731 million, up 98.6%, and net income for the quarter of ¥431 million, up 89.0%.

The business lines and the business segments of RISA Partners, the positioning of relevant businesses at RISA Partners' affiliates and performance by business segment is as below.

From the current first quarter, RISA Partners is changing to the three business segments of principal investment, funds, and investment banking. 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 that combine real estate and finance-related investment with its expertise in advisory services, RISA Partners has re-classified its business into 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

### Principal Investment

The principal investment business segment conducts proprietary investment in real estate, receivables and equities. Large and medium-scale investments in real estate are handled by the funds business segment, but the principal investment segment primarily invests in real estate that is usually around ¥500 million. RISA Partners seeks to secure appropriate earnings by making decisions on investments after carefully considering earnings status and exit strategy. In particular, its R-Project business that acquires real estate with little current market appeal, such as properties with restrictions on effective use and properties that have aged, and seeks to revive them by creating value added using design changes, is receiving wide acclaim. Furthermore, RISA Partners is also expanding its investments in development projects, and has successfully developed and securitized a restaurant and bar building in fiscal 2005 in partnership with

JASMAC Property Management, a leading operator of bars and restaurants.

RISA Partners' receivables investment is not limited to bulk sales of bankrupt borrower and at risk borrower receivables, but has also taken advantage of its expertise in corporate restructuring, which is RISA Partners' strong point, to expand its operations. Based on our skills in due diligence and servicing, which the company has handled since it was founded, RISA Partners explores business characteristics and potentials for improvement as well as formulating collection and exit scenarios when making investments. The disposal of NPLs by financial institutions is shifting from the former bankrupt receivables to receivables with the potential for restructuring, revealing an expansion in opportunities for investment related to corporate restructuring, which is the strong point of RISA Partners, and its balance of investments has been growing steadily. In March, RISA Partners successfully acquired loan receivables belonging to Kokuba-Gumi Co., Ltd., Okinawa Prefecture's largest construction company. RISA Partners is currently engaged in measures aimed at restructuring. Kokuba-Gumi is not only the largest general contractor in the prefecture, but it also has outstanding strengths in the distribution and service industries, including the development of the prefecture's leading cinema operation and DFS Galleria, the only large-scale duty free shop in Japan. Moreover, The Terrace Hotels, (which owns and operates a number of hotels including renowned luxury hotel The Busena Terrace) is under the umbrella of Kokuba-Gumi, truly positioning the company as Okinawa's biggest corporate group. RISA Partners and Kokuba-Gumi intend to cooperate closely to develop a variety of joint businesses in the future, and are commencing redevelopment of the Kokueikan site, long familiar to residents of Okinawa Prefecture, as announced on May 11, 2006, in the first step for their plans.

In equity investment, RISA Partners invests in companies where it is involved in restructuring through such means as participation in management as well as growth companies that promise synergies with RISA Partners' businesses. In November 2005, RISA Partners invested in corporate restructuring at Kanaya Hotel, which operates classic prestigious hotels that typify Japan, as well as dispatching a director to the company to work on the restructuring. Moreover, with regard to investment in growth companies, RISA Partners has carried out equity investments in Lic Co., Ltd., (operator of home centers and pet shops) in February 2006 and Hatagoya & Company, (operator of roadside hotels) in March 2006. Both companies have expanded their businesses using real estate, and RISA Partners will speed up business growth and assist with the listing of shares on the stock exchange by providing the expertise it possess in terms of real estate and finance.

As described above, RISA Partners has firmly grasped investment opportunities, and its investment in real estate, receivables and equities has grown steadily. At the same time, property sales have also moved ahead steadily. As a result, RISA Partners has achieved substantial revenue and profit growth with the principal investment business segment recording sales of ¥995 million, up 203.8% year on year, and operating income of ¥139 million, up 173.4%.

#### Funds

RISA Partners' funds business segment is involved in establishing, operating, investing in and increasing the value of real estate funds and corporate restructuring funds.

RISA Partners has been developing cooperative investment with Cypress Grove International ("Cypress" below), the successor fund to Soros Real Estate Investors ("SREI" below), in medium to large-scale real estate investments. RISA Partners and Cypress aim to obtain maximum earning opportunities by combining the global network of investors and sophisticated financial capabilities of SREI and Cypress with RISA Partners' experience, expertise and information network related to the Japanese real estate market. The cumulative total of investment has reached about ¥130 billion (based on commitments as of March 31, 2006). For marketing purposes, RISA Partners has established HAYATO Investments, Inc., in a joint venture with SREI and SHIROYAMA Investments Co., Ltd., in a joint venture with Cypress.

RISA Partners has primarily deployed its investment in corporate restructuring funds in cooperation

with regional financial institutions, and has established 16 corporate restructuring funds in partnership with 49 financial institutions as of March 31, 2006. Moreover, its work in business restructuring is being highly valued, and in March 2006 RISA Partners successfully established joint public/private corporate restructuring funds in Chiba Prefecture and Okinawa Prefecture with investment from the Organization for Small & Medium Enterprises and Regional Innovation following the establishment of funds in Aichi Prefecture in June 2005 and Saitama Prefecture in November 2005. This brings the number of public/private funds established and operated by RISA Partners to a total of four, worth ¥11 billion of asset under management.

RISA Partners' fund asset management operations maximize investment returns. With regard to our real estate funds, in addition to executing exit strategies, maintaining buildings and securing tenants, and reviewing appropriate levels for rents, it carries out accounting operations that include the management of funds and collections management. RISA Partners aims to maximize the investment returns on corporate restructuring funds through such means as providing advice with the intention of improving operations at the companies we invest in and arranging finance.

As described above, the balance of investments in both real estate funds and corporate restructuring funds has grown steadily, and so asset management fees have become a stable base for earnings. The funds business segment registered a solid performance with sales of ¥437 million, up 38.7% year on year, and operating income of ¥288 million, up 26.5%.

#### Investment Banking

RISA Partners' investment banking business segment is composed of M&A advisory, advisory services that include formulation of corporate restructuring plans, due diligence, and servicing as well as the solutions business which combines investment related to real estate and finance with our expertise in advisory services.

RIFAS, Inc., handles advisory services and due diligence operations while Yashio Servicing Co., Ltd., and IR Loan Servicing, Inc. are involved in servicing operations. Furthermore, Good Resort K.K., handles advisory services with a focus on improving operations at inns and hotels.

RISA Partners' advisory services for M&A and corporate restructuring complement the functions of our corporate restructuring funds, and RISA Partners is receiving high acclaim for its steady execution of restructuring plans that do not end with fund management expertise but also take on the role of coordination between a number of stakeholders, including creditors, debtors and business partners.

In RISA Partners' due diligence operations, which the company has handled since its founding, it examines and analyses real estate, receivables and companies from various perspectives including profitability, risk, and legal problems, to calculate fair values. RISA Partners believes that its consistent promptness and accuracy has resulted in a track record of over 23,000 due diligence projects since its establishment.

In RISA Partners' servicing operations, Yashio Servicer Co., Ltd., which was acquired from Ashigin Financial Group Inc., in April 2005, has developed its business as a servicer with a focus on restructuring. Moreover, RISA Partners' affiliate IR Loan Servicing, Inc., has strengths in management and collection operations for personal and unsecured receivables, establishing a system that allows to deliver comprehensive servicing functions as a group.

Yashio Servicer has obtained a Commercial Mortgage Backed Securities (CMBS) Special Servicer Rating of CSS3+(JPN) from Fitch Ratings Ltd., while IR Loan Servicing has obtained a CMBS Special Servicer Rating of CSS2- (JPN) and an Asset Backed Special Servicer (ABSS) rating of ABSS2- (JPN).

During the current first quarter, RIFAS, Inc. and Good Resort K.K., which were established in January 2006, got off the ground steadily and the solutions business became established. Due to their substantial contribution to earnings, the investment banking business segment recorded sales of ¥854 million, up 85.0% year on year, and operating income of ¥669 million, up 133.4%, achieving substantial revenue and profit growth.

## (2) Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (Yen)
First Quarter of Fiscal 2006	¥70,956	¥8,303	11.7%	¥73,569.40
First Quarter of Fiscal 2005	¥20,514	¥6,222	30.3%	¥59,266.88
Fiscal 2005	¥30,437	¥7,734	25.4%	¥69,894.50

## (3) 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 Quarter of Fiscal 2006	¥(40,225)	¥(2,463)	¥40,531	¥3,871
First Quarter of Fiscal 2005	¥(4,654)	¥(1,306)	¥8,388	¥7,154
Fiscal 2005	¥(9,636)	¥(4,471)	¥15,409	¥6,028

### Qualitative Information Concerning Changes in Consolidated Financial Position

Total assets at the end of the current first quarter, increased by ¥40,519 million compared to the end of the previous consolidated fiscal year, came to be ¥70,956 million.

In addition to RISA Partners' success in acquiring large-lot receivables accompanying business restructuring, the main reason for this was an increase of ¥37,312 million in purchased non-performing loans acquired either directly or through corporate restructuring funds.

Liabilities increased by ¥39,946 million compared to the end of the previous consolidated fiscal year to ¥62,617 million.

This was due to a ¥40,979 million increase in the total of short and long term borrowing, 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.

In addition, capital rose ¥569 million compared to the end of the previous consolidated fiscal year to ¥8,303 million.

### Cash Flows in the First Quarter of Fiscal 2006

Consolidated cash and cash equivalents during the first quarter of fiscal 2006 ("Net cash" below) declined ¥2,158 million compared to the end of the previous consolidated fiscal year to ¥3,871 million.

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

#### Cash flows from operating activities

Net cash used in operating activities stood at ¥40,225 million, up 763.4% compared to the same period last year.

This was mainly due to expenditure of ¥37,312 million, because 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 ¥2,463 million, up 88.6% compared to the same period last year.

This was mainly due to investments in silent partnerships for the real estate and corporate restructuring funds established during the current period and the acquisition of land and properties (hotels) related to business restructuring through corporate restructuring funds.

#### Cash flows from financial activities

Net cash provided by financial activities stood at ¥40,531 million, up 383.2% compared to the same period last year.

This was due to a ¥40,979 million increase in the total of short and long term borrowing, primarily as funds for the acquisition of receivables and real estate, including funds raised through corporate restructuring funds accompanying the acquisition of receivables.

### 3. Projections for Fiscal 2006 (from January 1 to December 31, 2006)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
1st Half of Fiscal 2006	¥6,800	¥1,019	¥591
Fiscal 2006	¥15,204	¥3,567	¥2,069

Reference: Projected net income per share (full year): ¥18,696.90

#### Qualitative Information Concerning Financial Results Forecasts

During the first quarter of fiscal 2006, the principal investment business segment made rapid progress in expanding the scale of its investments, including the acquisition of loan receivables belonging to Kokuba-Gumi, Okinawa's largest corporate group. In the funds business segment, the balance of RISA Partners' joint investment in real estate with SREI (cumulative total investment about ¥130 billion on commitment base as of March 31, 2006) was increased steadily while the balance of corporate restructuring funds developed in cooperation with regional financial institutions totaled 16 funds with a value exceeding ¥10 billion. Furthermore, RISA Partners' investment banking business segment grew at a pace exceeding projections, which is partly attributable to the steady establishment of the solutions business.

In addition, as announced in the press release of the same date, RISA Partners believes that the procurement of funds through the issue of new shares and sale of shares through public offering will create a financial structure that will enable us to develop more flexible investment operations that are larger in scale.

RISA Partners has yet to determine the outlook for earnings that will result from the investments it made during the first quarter of fiscal 2006. As a result, RISA Partners have made no changes to the consolidated financial results forecasts for fiscal 2006, which was released when RISA Partners announced its financial results for fiscal 2005 on February 13, 2006.

## 4. Summarized Quarterly Consolidated Financial Statements

### (1) Summarized Quarterly Consolidated Balance Sheets

(¥ million)

Items	Period		First Quarter of Fiscal 2006 (at March 31, 2006)		First Quarter of Fiscal 2005 (at March 31, 2005)		Increase/Decrease		Fiscal 2005 (at December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)		
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and bank deposits	3,890		7,174		(3,283)		6,048			
Notes and accounts receivable, trade	711		309		401		888			
Inventories	9,913		2,533		7,379		7,091			
Purchased non-performing loans	44,935		5,509		39,426		7,588			
Deferred tax assets	48		23		24		99			
Other current assets	652		477		175		648			
Allowance for doubtful accounts	(9)		(6)		(2)		(13)			
<b>Total Current Assets</b>	<b>60,142</b>	<b>84.8</b>	<b>16,022</b>	<b>78.1</b>	<b>44,120</b>	<b>275.4</b>	<b>22,351</b>	<b>73.4</b>		
<b>Fixed Assets</b>										
<b>Property and Equipment</b>										
Buildings and structures	922		316		606		378			
Land	1,442		1,261		180		1,261			
Other	389		107		281		383			
<b>Total Property and Equipment</b>	<b>2,754</b>	<b>3.8</b>	<b>1,686</b>	<b>8.2</b>	<b>1,068</b>	<b>63.4</b>	<b>2,024</b>	<b>6.6</b>		
<b>Intangible Fixed Assets</b>										
Software	24		2		22		28			
Consolidation adjustment accounts	307		-		307		326			
Other	0		-		0		0			
<b>Total Intangible Fixed assets</b>	<b>332</b>	<b>0.5</b>	<b>2</b>	<b>0.0</b>	<b>329</b>	<b>12,619.0</b>	<b>354</b>	<b>1.2</b>		
<b>Investments and Other Assets</b>										
Investments in securities	6,394		2,557		3,837		4,745			
Deferred tax assets	3		-		3		3			
Other assets	1,328		246		1,082		957			
<b>Total Investments and Other Assets</b>	<b>7,727</b>	<b>10.9</b>	<b>2,803</b>	<b>13.7</b>	<b>4,923</b>	<b>175.6</b>	<b>5,707</b>	<b>18.8</b>		
<b>Total Fixed Assets</b>	<b>10,814</b>	<b>15.2</b>	<b>4,492</b>	<b>21.9</b>	<b>6,321</b>	<b>140.7</b>	<b>8,086</b>	<b>26.6</b>		
<b>Total Assets</b>	<b><u>70,956</u></b>	<b><u>100.0</u></b>	<b><u>20,514</u></b>	<b><u>100.0</u></b>	<b><u>50,442</u></b>	<b><u>245.9</u></b>	<b><u>30,437</u></b>	<b><u>100.0</u></b>		

(¥ million)

Items	First Quarter of Fiscal 2006 (at March 31, 2006)		First Quarter of Fiscal 2005 (at March 31, 2005)		Increase/Decrease		Fiscal 2005 (at December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
<b>Current Liabilities</b>								
Notes and accounts payable – trade	6		8		(1)		6	
Short-term borrowings	40,510		8,843		31,666		6,650	
Income taxes payable	257		144		112		847	
Accrued bonuses	47		34		13		-	
Other current liabilities	2,125		746		1,379		1,958	
<b>Total Current Liabilities</b>	<b>42,947</b>	<b>60.6</b>	<b>9,777</b>	<b>47.7</b>	<b>33,170</b>	<b>339.3</b>	<b>9,463</b>	<b>31.1</b>
<b>Long-term Liabilities</b>								
Corporate bond	6,025		655		5,370		6,680	
Long-term debt	13,455		3,747		9,707		6,335	
Reserve for employees' retirement	10		-		10		9	
Deferred tax liabilities	58		-		58		62	
Other	121		103		17		121	
<b>Total Long-term Liabilities</b>	<b>19,670</b>	<b>27.7</b>	<b>4,505</b>	<b>22.0</b>	<b>15,164</b>	<b>336.5</b>	<b>13,208</b>	<b>43.4</b>
<b>Total Liabilities</b>	<b>62,617</b>	<b>88.3</b>	<b>14,283</b>	<b>69.7</b>	<b>48,334</b>	<b>338.4</b>	<b>22,671</b>	<b>74.5</b>
<b>Minority Interests</b>								
Minority Interests	35	0.0	8	0.0	26	305.0	31	0.1
<b>Shareholders' Equity</b>								
Common stock	2,627	3.7	2,340	11.4	287	12.3	2,471	8.1
Capital surplus	2,764	3.9	2,477	12.1	287	11.6	2,608	8.6
Retained earnings	2,821	4.0	1,405	6.8	1,416	100.8	2,556	8.4
Net unrealized gain on other	91	0.1	-		91	-	97	0.3
Treasury stock	(1)	(0.0)	-		(1)	-	(0)	(0.0)
<b>Total Shareholders' Equity</b>	<b>8,303</b>	<b>11.7</b>	<b>6,222</b>	<b>30.3</b>	<b>2,081</b>	<b>33.4</b>	<b>7,734</b>	<b>25.4</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b><u>70,956</u></b>	<b><u>100.0</u></b>	<b><u>20,514</u></b>	<b><u>100.0</u></b>	<b><u>50,442</u></b>	<b><u>245.9</u></b>	<b><u>30,437</u></b>	<b><u>100.0</u></b>

(2) Summarized Quarterly Consolidated Statements of Income

(¥ million)

Items	First Quarter of Fiscal 2006 (January 1– March 31, 2006)		First Quarter of Fiscal 2005 (January 1– March 31, 2005)		Increase/Decrease		Fiscal 2005 (January 1– December 31, 2005)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Ratio (%)	Amount	Share of Total (%)
<b>Net Sales</b>	<b>2,229</b>	<b>100.0</b>	<b>1,104</b>	<b>100.0</b>	<b>1,124</b>	<b>101.9</b>	<b>9,152</b>	<b>100.0</b>
<b>Cost of Sales</b>	793	35.6	349	31.7	443	126.6	4,619	50.5
Gross Profit	1,436	64.4	754	68.3	681	90.4	4,532	49.5
<b>Selling, General and Administrative Expenses</b>	612	27.4	334	30.3	277	83.0	1,720	18.8
<b>Operating Income</b>	<b>824</b>	<b>37.0</b>	<b>420</b>	<b>38.0</b>	<b>404</b>	<b>96.2</b>	<b>2,812</b>	<b>30.7</b>
<b>Other Income</b>	66	3.0	35	3.3	30	85.6	90	1.0
Interest income	4		2		1		6	
Dividend receivable	-		-		-		0	
Equity in earnings of affiliated	53		25		27		61	
Rental income	4		6		(2)		21	
Other	4		1		3		3	
<b>Other Expenses</b>	158	7.2	87	7.9	71	81.9	395	4.3
Interest Expense	113		28		84		214	
Loan commissions	40		34		5		37	
Rental expense	4		4		0		19	
Stock listing change expense	-		-		-		34	
Bond issue expenses	-		19		(19)		80	
Other	0		0		(0)		9	
<b>Ordinary Income</b>	<b>731</b>	<b>32.8</b>	<b>368</b>	<b>33.4</b>	<b>363</b>	<b>98.6</b>	<b>2,507</b>	<b>27.4</b>
<b>Extraordinary Losses</b>	-		-		-		127	1.4
Loss on disposal of property and equipment	-		-		-		0	
Expenses for relocation of offices	-		-		-		117	
Loss on withdrawing from welfare pension fund	-		-		-		9	
Net income before income taxes and minority interests	<b>731</b>	<b>32.8</b>	<b>368</b>	<b>33.4</b>	<b>363</b>	<b>98.6</b>	<b>2,380</b>	<b>26.0</b>
Income taxes	247	11.1	129	11.7	118	92.0	1,056	11.5
Income taxes-deferred	50	2.3	10	1.0	39	364.9	(59)	(0.6)
Minority interests	1	0.1	0	0.0	1	558.1	4	0.0
<b>Net Income</b>	<b><u>431</u></b>	<b><u>19.3</u></b>	<b><u>228</u></b>	<b><u>20.7</u></b>	<b><u>203</u></b>	<b><u>89.0</u></b>	<b><u>1,379</u></b>	<b><u>15.1</u></b>

### (3) Summarized Quarterly Consolidated Statements of Cash Flows

(¥ million)

Items	Period	First Quarter of Fiscal 2006 (January 1– March 31, 2006)	First Quarter of Fiscal 2005 (January 1– March 31, 2005)	Fiscal 2005 (January 1– December 31, 2005)
		Amount	Amount	Amount
<b>Cash Flows from Operating Activities</b>				
Net income before income taxes and minority		731	368	2,380
Depreciation and amortization		19	8	55
Amortization of long-term prepayment expenses		-	0	0
Loss on disposal of property and equipments		-	-	51
Amortization of consolidation adjustment accounts		19	-	57
Equity in earnings of affiliated companies		(53)	(25)	(61)
Increase (decrease) in allowance for doubtful accounts		(4)	(0)	6
Increase in accrued bonuses		47	34	-
Increase (decrease) in reserve for employees' retirement benefits		0	-	(17)
Interest income and dividend receivable		(4)	(2)	(6)
Interest expense		113	28	214
(Increase) decrease in notes and accounts receivable		177	(103)	(610)
Increase in inventories		(2,821)	(602)	(5,159)
Increase in purchased non-performing loans		(37,347)	(3,840)	(5,919)
Increase in notes and accounts payable		(0)	(12)	(14)
Other		(106)	(58)	262
Sub total		(39,227)	(4,205)	(8,760)
Interest and dividend received		1	5	4
Interest paid		(161)	(42)	(222)
Income tax paid		(838)	(409)	(657)
<b>Net Cash Used in Operating Activities</b>		<b>(40,225)</b>	<b>(4,654)</b>	<b>(9,636)</b>
<b>Cash Flows from Investing Activities</b>				
Payments for property and equipment		(864)	(66)	(371)
Payments for purchase of investments in securities		(108)	-	(653)
Payments for acquisition of consolidated subsidiary		-	-	(340)
Payments for purchase of affiliated company's share		-	-	(9)
Payments for investments in companies		-	(32)	(101)
Payments for investments in silent partnerships		(2,121)	(1,468)	(5,384)
Proceeds from dividend of silent partnerships		728	288	3,098
Payments for loans		(990)	-	(1,335)
Proceeds from loan collections		945	-	894
Other		(52)	(27)	(268)
<b>Net Cash Used in Investing Activities</b>		<b>(2,463)</b>	<b>(1,306)</b>	<b>(4,471)</b>
<b>Cash Flows from Financing Activities</b>				
Increase in short-term borrowings		31,188	5,756	3,843
Proceed from long-term debt		10,145	2,000	6,610
Repayment of long-term debt		(354)	(134)	(2,436)
Proceeds from bond issuance		-	800	7,400
Payments for bonds redeemable		(315)	(35)	(140)
Proceeds from issuance of common stock		31	560	113
Payments for acquisition of treasury stock		(1)	-	(0)
Proceeds from minority interests		2	-	18
Cash dividends paid		(165)	-	-
<b>Net Cash Provided by Financing Activities</b>		<b>40,531</b>	<b>8,388</b>	<b>15,409</b>
<b>Increase in Cash and Cash Equivalents</b>		<b>(2,157)</b>	<b>2,426</b>	<b>1,300</b>
<b>Cash and Cash Equivalents at Beginning of Term</b>		<b>6,028</b>	<b>4,727</b>	<b>4,727</b>
<b>Cash and Cash Equivalents at End of Term</b>		<b><u>3,871</u></b>	<b><u>7,154</u></b>	<b><u>6,028</u></b>

#### (4) Segment information

##### Information on business segments

First Quarter of Fiscal 2006 (from January 1 March 31, 2006)

(¥ million)

	Principal Investment	Funds	Investment Banking	Total	Elimination/corporate	Consolidated
Net sales	995	437	854	2,287	(57)	1,229
Cost of sales	856	148	184	1,189	215	1,405
Operating income	139	288	669	1,097	(273)	824

Note 1: Change to business segments

From the current first quarter, RISA Partners is changing to the three business segments of principal investment, funds, and investment banking. 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 that combine real estate and finance-related investment with its 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

Segment information of first quarter of fiscal 2005, which applied by the three business segments of first quarter of fiscal 2006 are as below.

First Quarter of Fiscal 2005 (from January 1 March 31, 2005)

(¥ million)

	Principal Investment	Funds	Investment Banking	Total	Elimination/corporate	Consolidated
Net sales	327	315	461	1,104	-	1,104
Cost of sales	276	86	174	538	146	684
Operating income	51	288	286	566	(146)	420

Note 2: As described "1. Matters Concerning the Preparation of Quarterly Consolidated Financial Information, (2) 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 first quarter, RISA Partners has changed to the accounting treatment of recording the expenses under the acquisition cost of real estate and purchased non-performing loans.

As a result of this change, operating income from Principal Investment Business rose ¥92 million in the first quarter as compared to the previous method.

First Quarter of Fiscal 2005 (from January 1 March 31, 2005)

(¥ million)

	Due Diligence	Asset Management	Real Estate Investment	Real Estate Advisory	Corporate Advisory	Total	Elimination/corporate	Consolidated
Net sales	174	212	316	170	230	1,104	-	1,104
Cost of sales	72	10	276	65	112	538	146	684
Operating income	102	201	39	104	118	566	(146)	420

##### Segment Information by Business Location

During the previous and current first quarter of fiscal years, there was no consolidated subsidiary in any country or territory outside Japan, and no major overseas branch, so this item does not exist.