



## **Financial Results for FY2007 (Year ending Dec. 2007)**

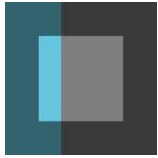
**RISA Partners Inc. ( #8924 )**

**February 2008**



RISA PARTNERS INC.

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**1** Summary of Financial Results for FY2007

**2** Segment Overview

**3** Forecast of Financial Results for FY2008 / Medium Term Business Plan

**4** Reference



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## Topics of FY2007

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### 1. NOI +120% (year on year)

- EPS doubled
- Every segment grew with appropriate balance

### 2. Investment bank business expanded its achievements and business base

- Solution Fund and Solution business expanded
- The asset management capability greatly contributed to profit growth
- Increased number of local and overseas projects

### 3. A solid financing strategy to support increasing investments

- Sound financial balance
- Good financial terms



## Financial Highlight (Consolidated)

(in millions of yen)

	2005	2006	2007	
	Full-Year	Full-Year	Full-Year	Y on Y
<b>Revenue</b>	9,152	16,607	27,441	+65.2%
<b>Operating Income (EBIT) ※1</b>	2,812	6,490	11,928	+83.8%
<b>Ordinary Income</b>	2,507	5,203	10,595	+103.6%
<b>Net Income</b>	1,379	3,030	6,659	+119.8%
<b>EPS ※2</b>	6,535.16	12,203.72	24,141.19	+97.8%

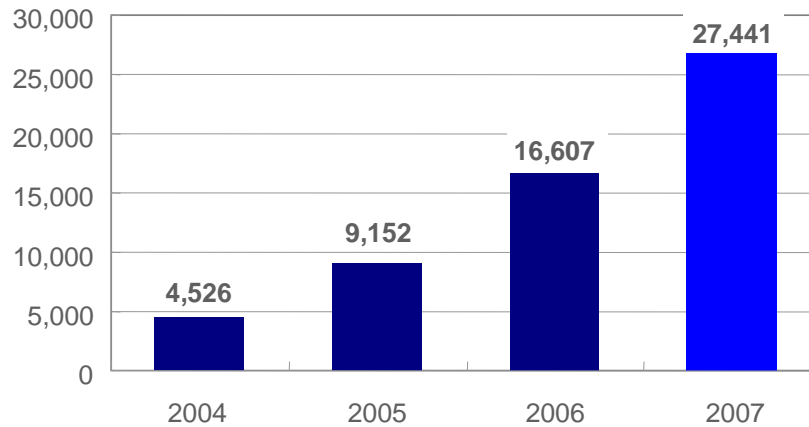
※1 Ordinary Income = Earnings Before Taxes and Irregular Items

※2 EPS (Earning Per Share) reflects stock splits.



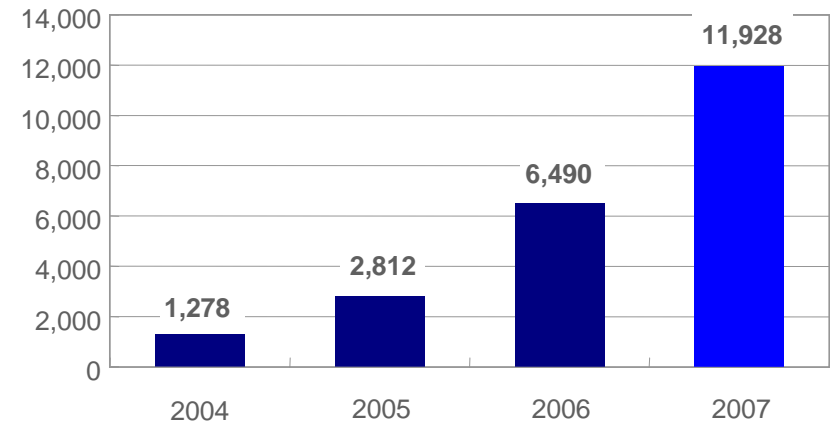
## Summary (Consolidated)

### Revenue

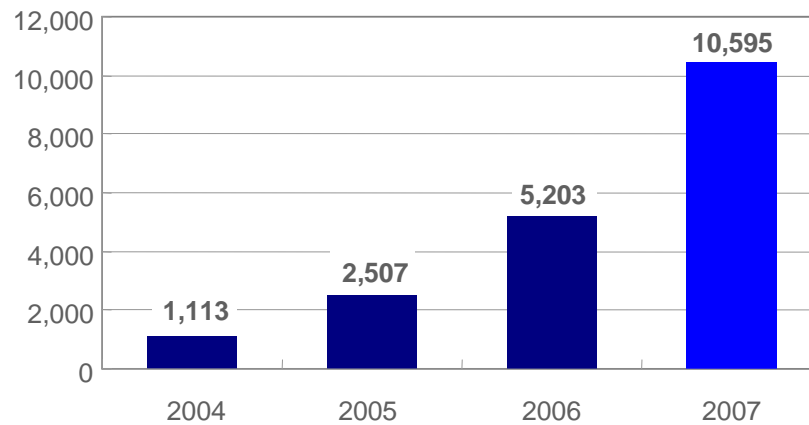


### Operating Income

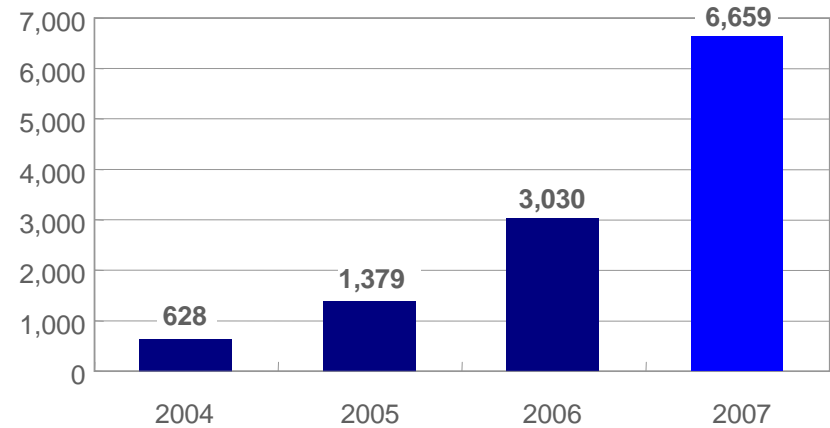
(in millions of yen)



### Ordinary Income



### Net Income

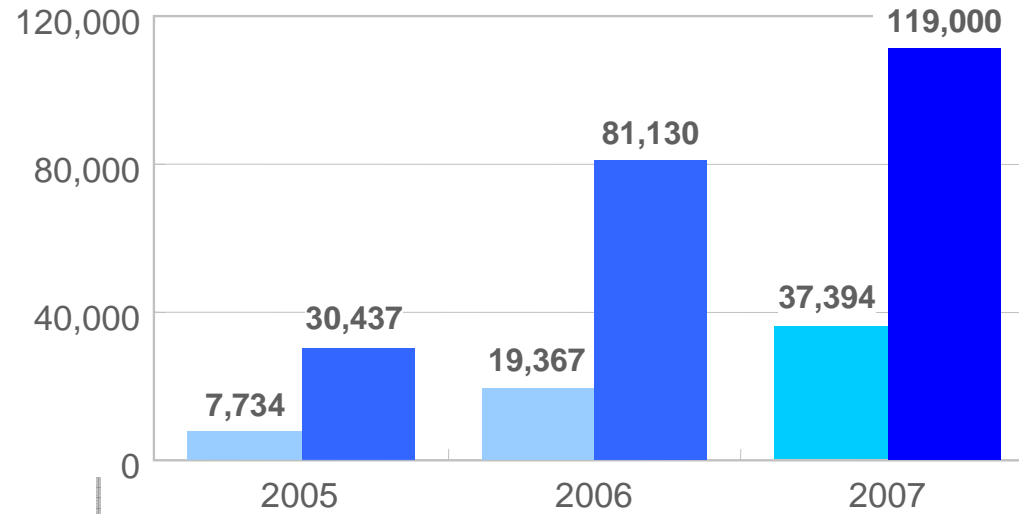




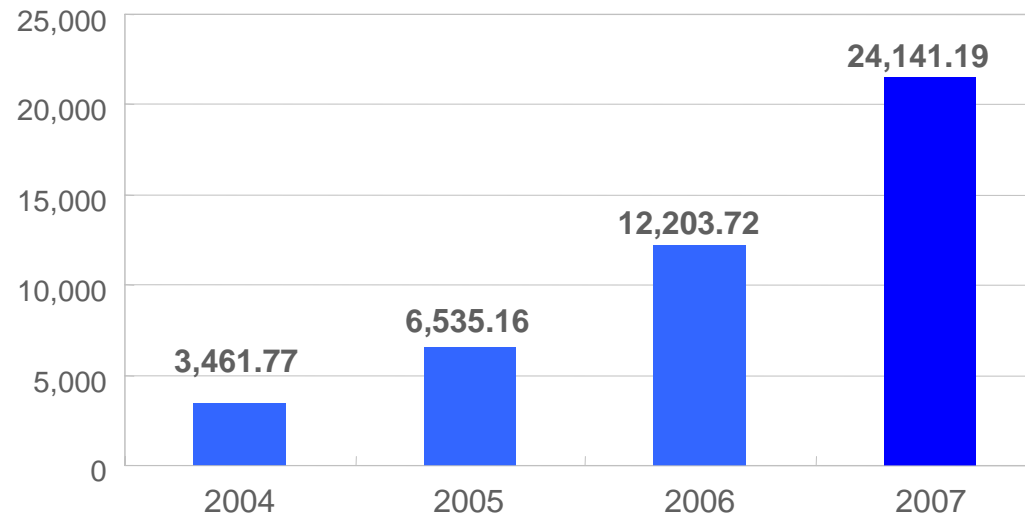
## Net Asset / Total Assets / EPS

### Net Asset - Total Assets

(in millions of yen)



### EPS



(in yen)

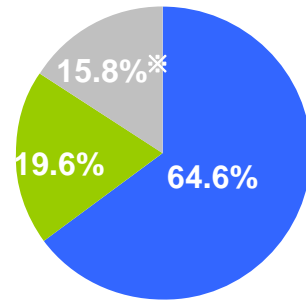
Notes:  
EPS reflects stock splits.



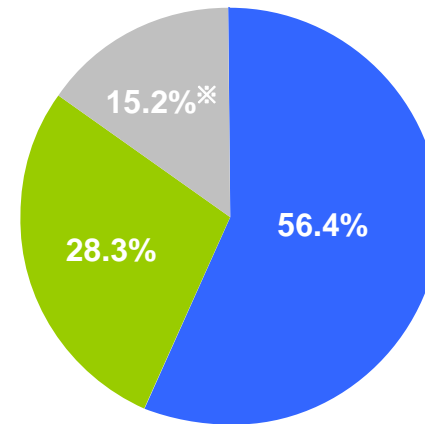
## Revenue by Segment / Operating Income by Segment (Consolidated)

Revenue by Segment

\* Includes internal sales

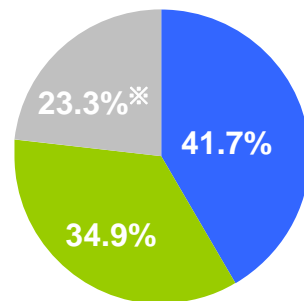


FY2006

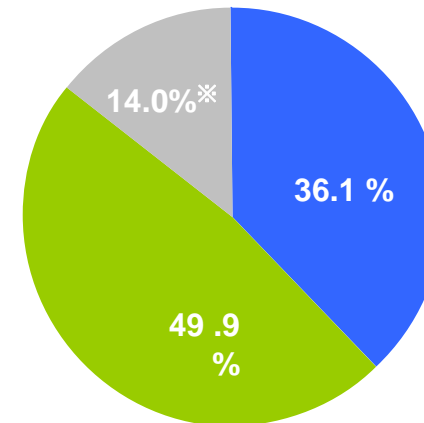


FY2007

Operating Income by Segment  
(before overhead cost adjustment)



FY2006



FY2007

● Principal Investment

● Fund Management

● Investment Banking

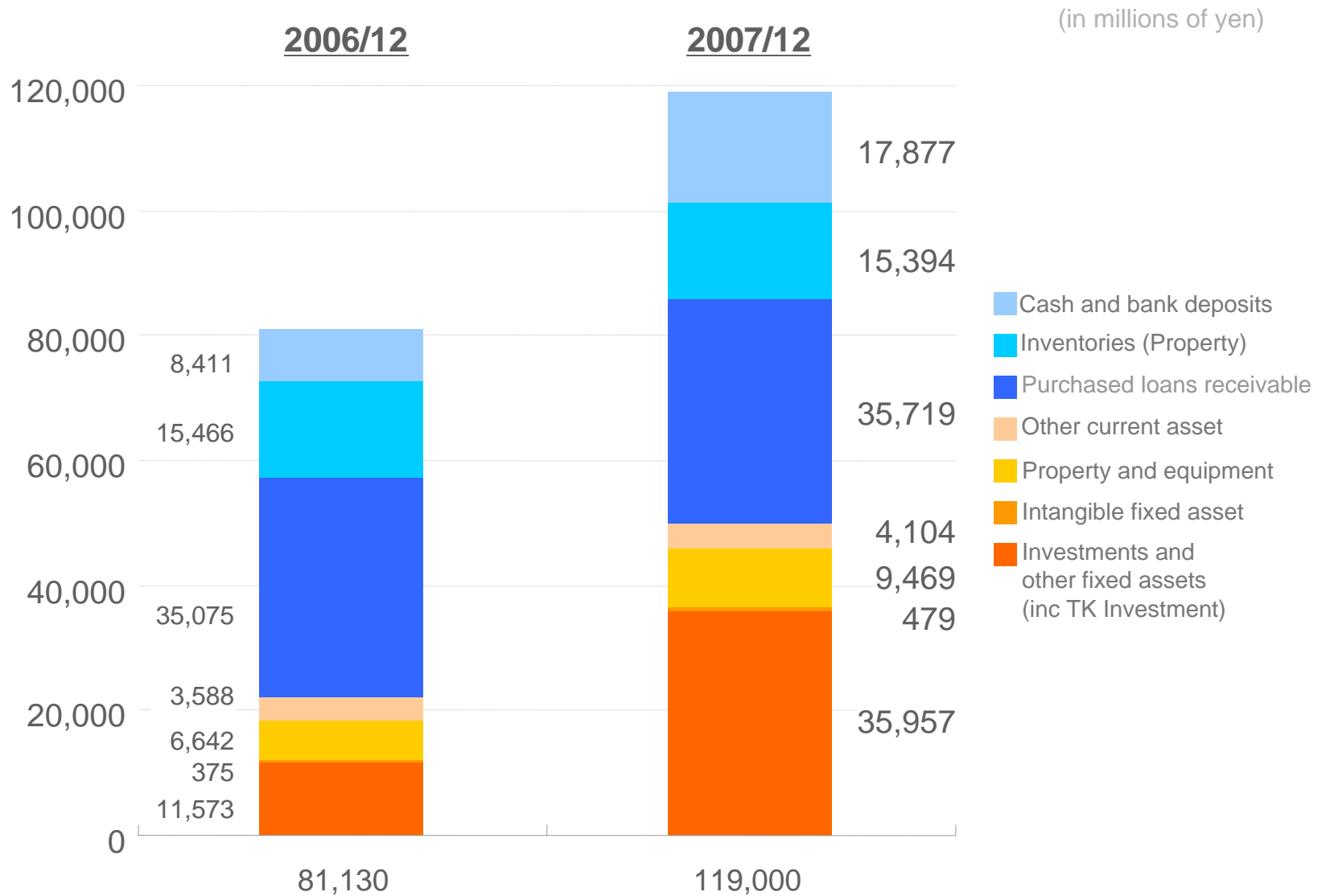
## Segment Revenue / Profit (Consolidated)

(in millions of yen)

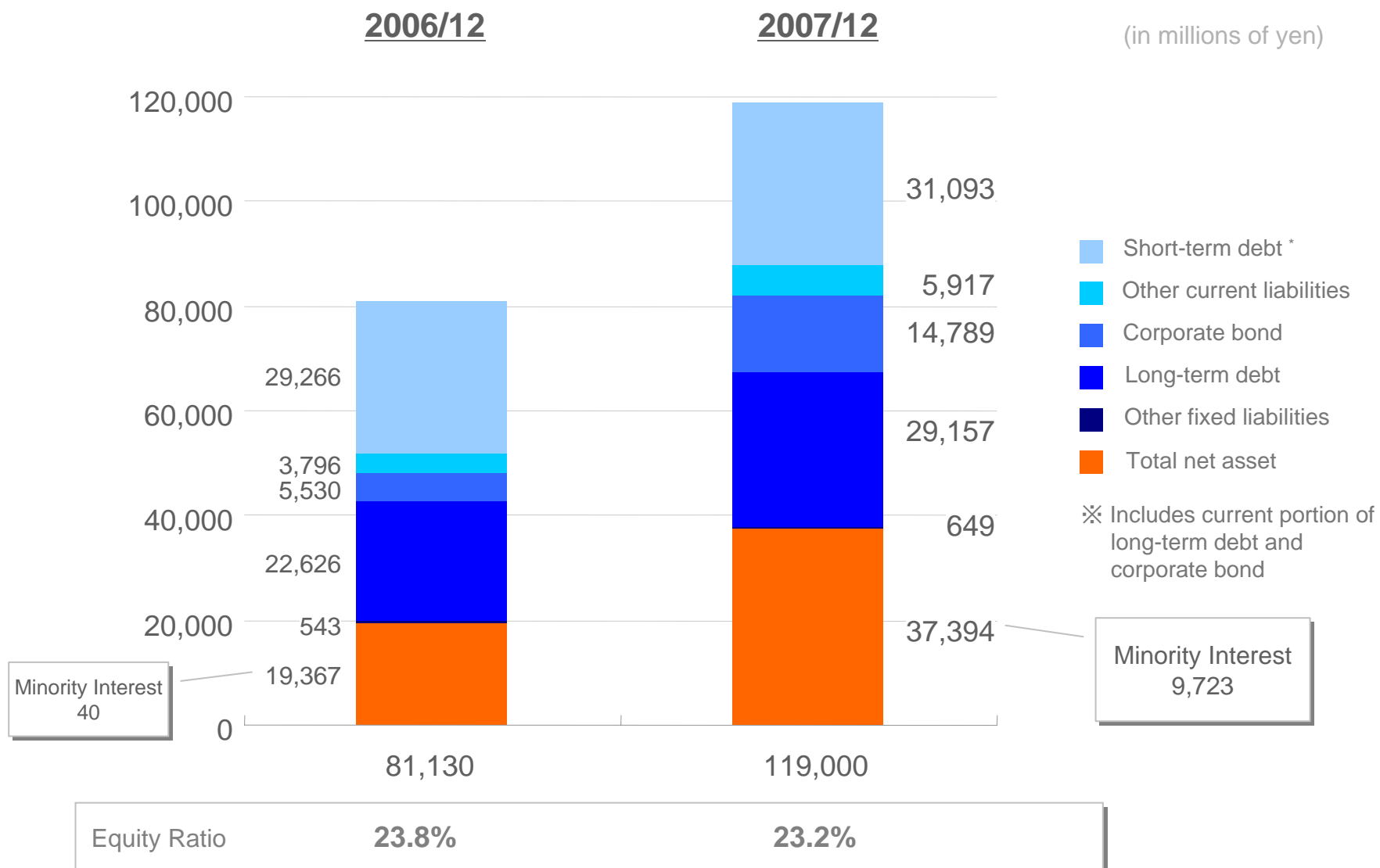
	2005	2006	2007	
	Full-Year	Full-Year	Full-Year	Y on Y
<b>Revenue</b>	9,152	16,607	27,441	+65.2%
Principal Investment	5,602	11,055	16,054	+45.2%
Fund Management	1,575	3,356	8,064	+140.3%
Investment Banking	1,994	2,700	4,331	+60.4%
Internal Sales ( ▲ )	(19)	(504)	(1,007)	—
<b>Operating Income</b>	2,812	6,490	11,928	+83.8%
Principal Investment	1,259	3,085	4,848	+57.1%
Fund Management	990	2,583	6,700	+159.4%
Investment Banking	1,216	1,725	1,873	+8.5%
Overhead Cost Adjustment ( ▲ )	(654)	(905)	(1,493)	—



## Financial Standing ~ Asset (Consolidated)



## Financial Standing ~ Liabilities/Equity (Consolidated)





## Use and Source of Funds (Jan 1, 2007 - Dec 31, 2007 / Non-Consolidated)

(in millions of yen)

Use		Source	
Investment Activity		Investment Activity	
Real estate investment	20,957	Real estate payback	18,294
Principal investment	11,814	Principal payback	11,316
Real estate fund investment	9,143	Real estate fund dividend	6,978
NPL/SPL investment	39,223	Loan receivable payback	39,552
Equity and other*1 ※1	10,928	Other payback	2,648
Sub-total	71,108	Sub-total	60,494
Financial Activity		Financial Activity	
Loan repayment	55,892	CB issuance	12,053
Principal payment	54,946	Bank loan	65,974
Interest payment	946		
Sub-total	55,892	Sub-total	78,027
Other (Cost, Tax etc.)	9,007	Other (Fee Income etc.)	5,729
Cash Equivalent Increase	8,243		
<b>Total</b>	<b>144,250</b>	<b>Total</b>	<b>144,250</b>

\*1 Includes loans for business restructuring support



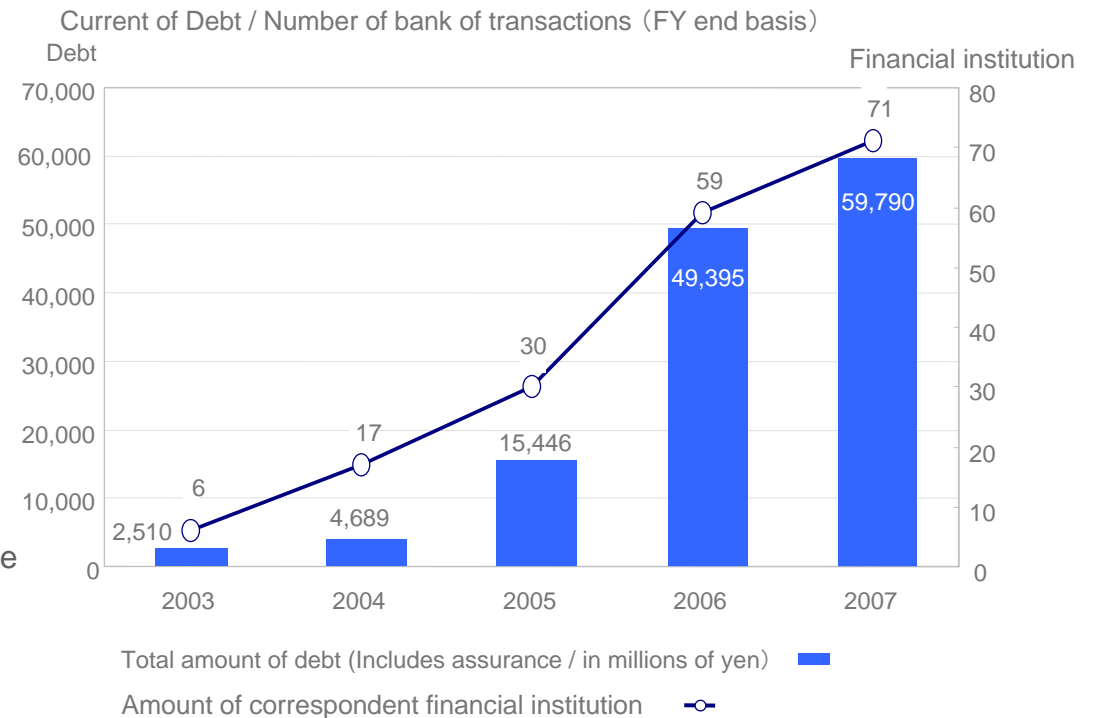
## Financing Situation

### Financing Policies

- Utilizing debt in order to increase capital efficiency while considering Debt Equity Ratio
- Planning to increase the amount of overdraft facilities and commitment lines to tackle investment opportunities flexibly and quickly
- Extending the number of bank of transactions also from the viewpoint of relationship building for NPL/SPL investment opportunities.
- Utilizing SB( straight corporate bond) for enhancing the financing capabilities.

### Rating / Corporate Bond

- ✓ Obtained the long-term senior debts rating from JCR for issuing SB (BBB)
  - ✓ Shelf registration line 20 billion yen
- 〈For Notch up〉
- Expanding overdraft facilities and commitment lines
  - Expanding net assets through accumulation of Net Income
  - Usage of Fund as a financial and fee income source





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Term Business Plan

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## I. Principal Investment: NPL/SPL Investment

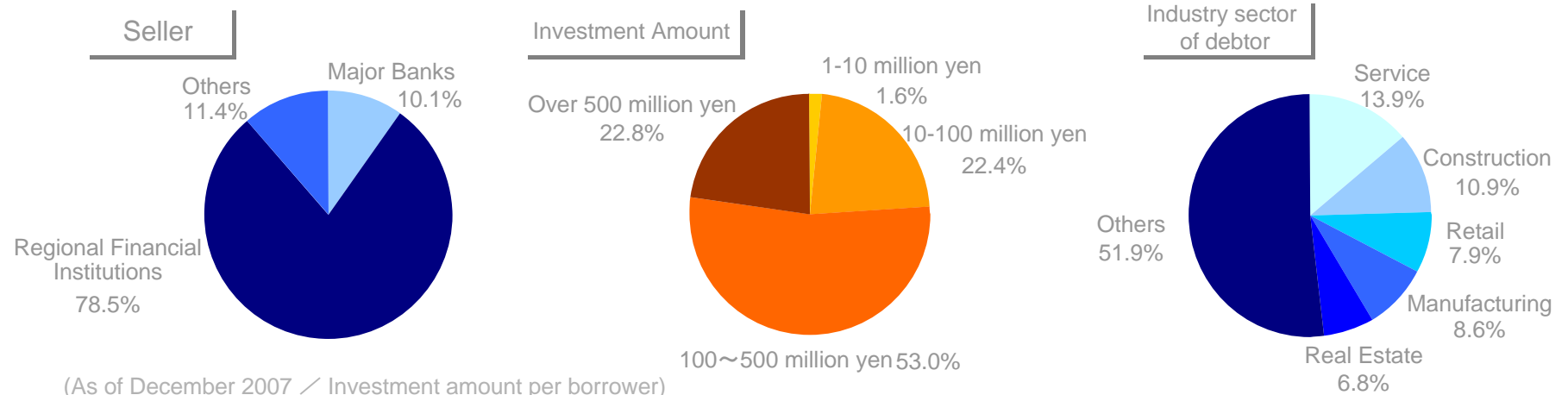
### Features

- Purchase from banks
- In-house valuation
- In-house servicing (RISA Loan Servicing, Inc.)
- 0.5-3 year holding
- The investment amount, the debtor type of industry without
- IRR 7-15% (before leverage)

### Results・Surroundings

- Alongside economy expansion, disposals of non-performing loans are accelerated due to the recovery of financial conditions in the regional financial markets, where we can expand investment opportunities.
- The type of loan receivables for sale has shifted to SPLs, a field which competitors find difficult to enter into.
- More than 90% of current purchased loans receivable are less than 2 years of holding period after its acquisition.
- As a result of relationship establishment, purchases of loan receivables from regional banks continue to expand.

※SPL=Sub-Performing Loan





## I. Principal Investment: SAP

### Features

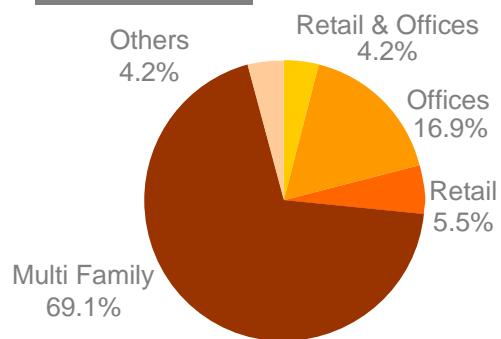
- Property Below 750 mil Yen
- 1 Year Holding Period
- Value-Up
- Nationwide
- Ample Opportunity
- In-House Valuation
- In-House Asset Management
- 15%-18% GOP

### Results-Surroundings

- Property purchases are possible, not through bids, but through negotiation (currently 100% negotiated deals)
- The market has continued to grow, and the growth of acquisitions and sales are favorable .
- The properties subject to purchase, include offices and condominiums located in metropolitan areas and regional hub cities.

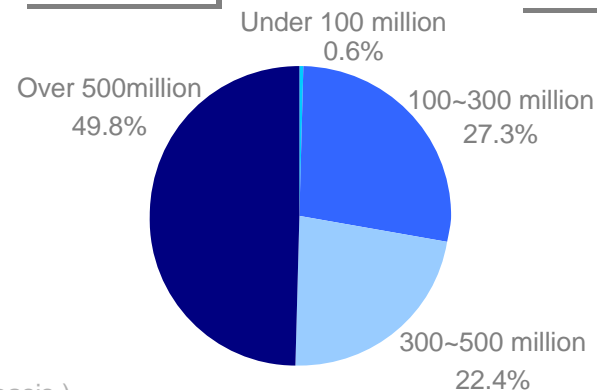


### Property Type

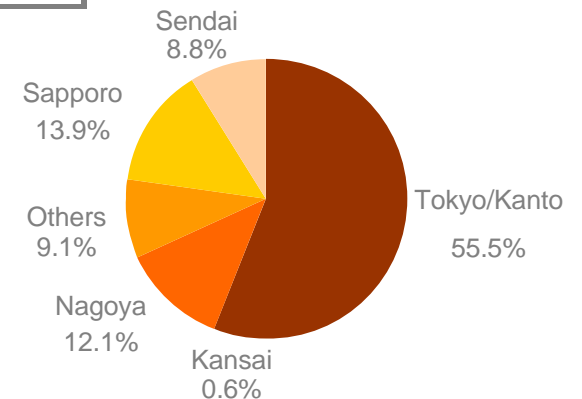


(As of December 2007 / investment amount basis )

### Property Size



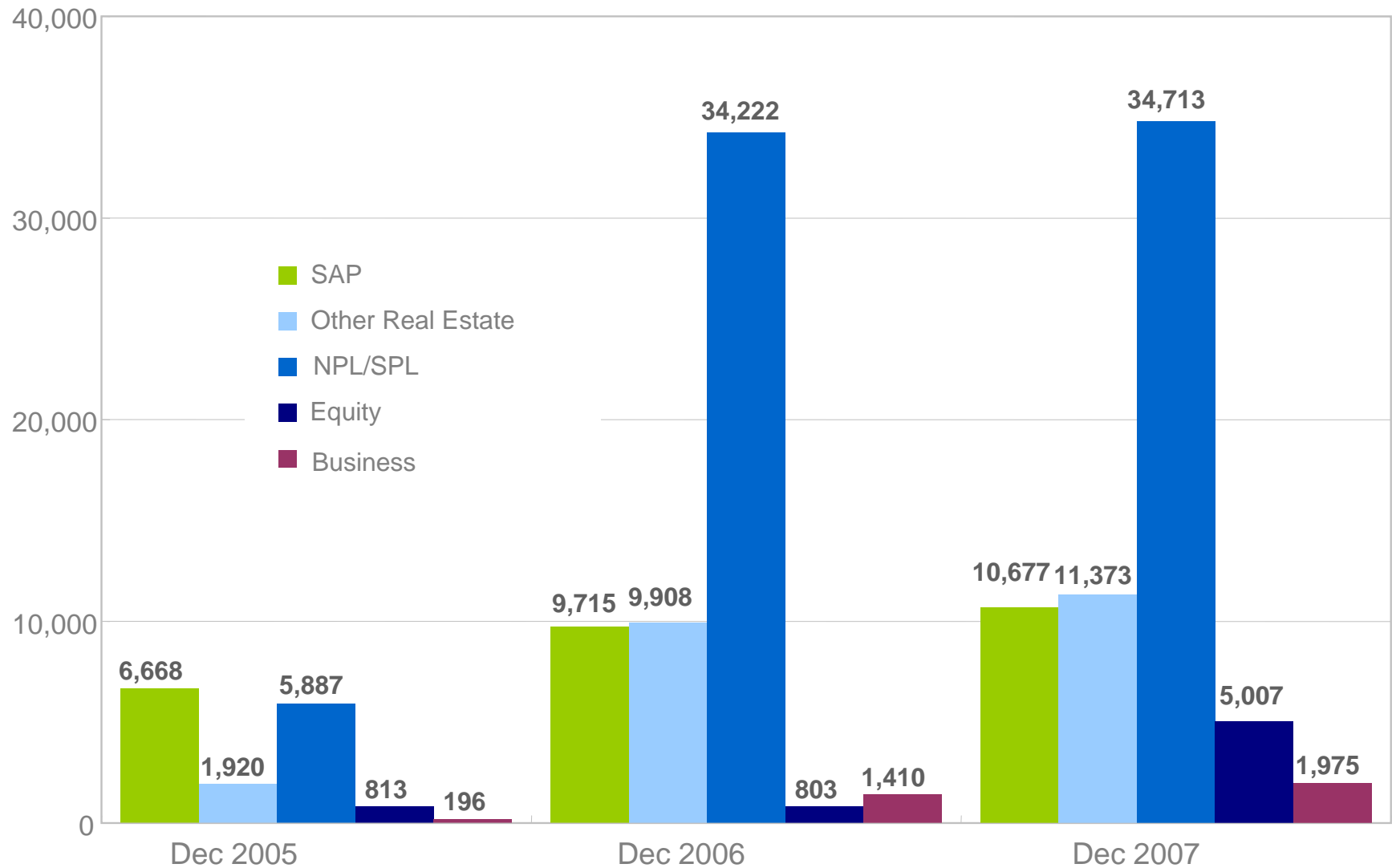
### Location





## I. Principal Investments Balance

(in millions of yen; Investment in Business (non-consolidated basis))





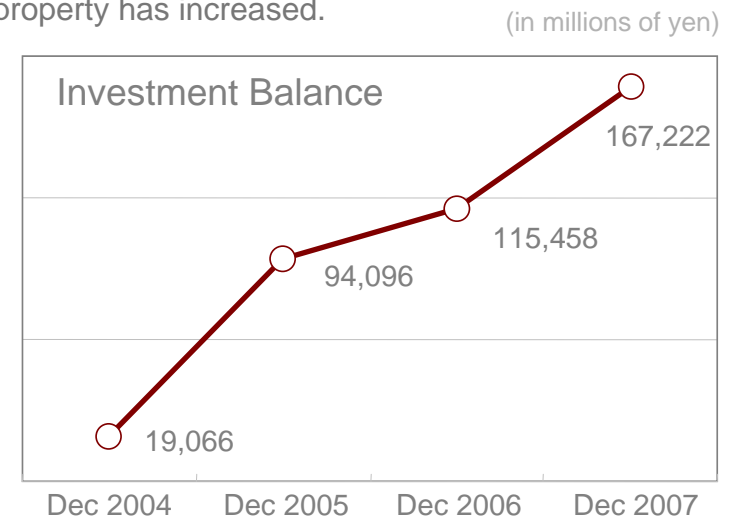
## II. Fund Management: Co-Investment Program with Grove

### Features

- Opportunistic Investment Strategy
- 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 bp asset management fee from Co-Investment Fund

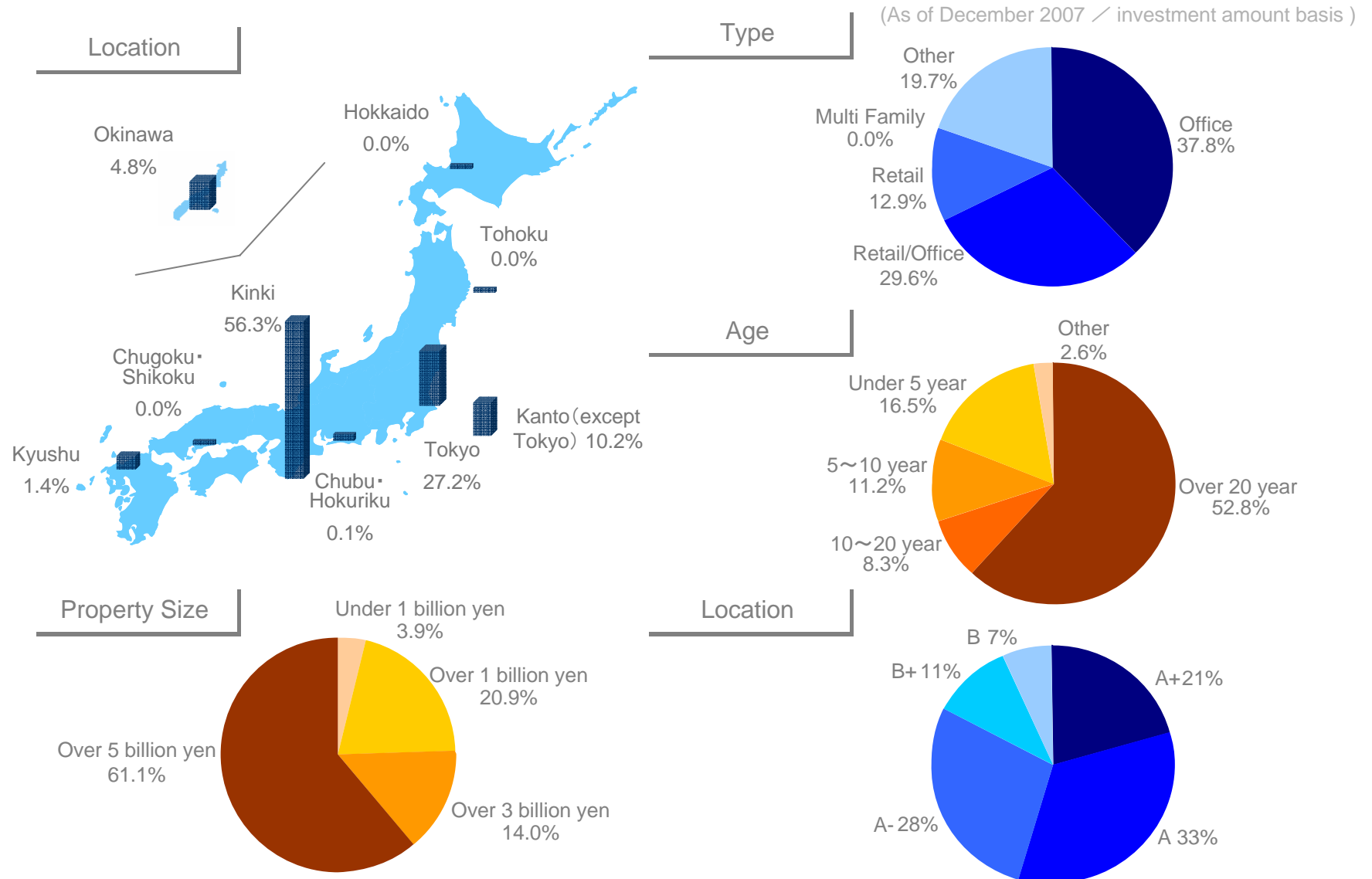
### Results • Surroundings

- By making use of close relations with financial institutions and real estate brokers, we have joined closed bids to purchase real estate.
- As well as real estate and beneficiary rights of trusts, we invest in mortgage debentures and companies that possess real estate stocks.
- Asset management of acquired properties have progressed favorably.
- Alongside a favorable real estate economy, sales of property has increased.
- We are actively recruiting experienced developers to expand development projects.





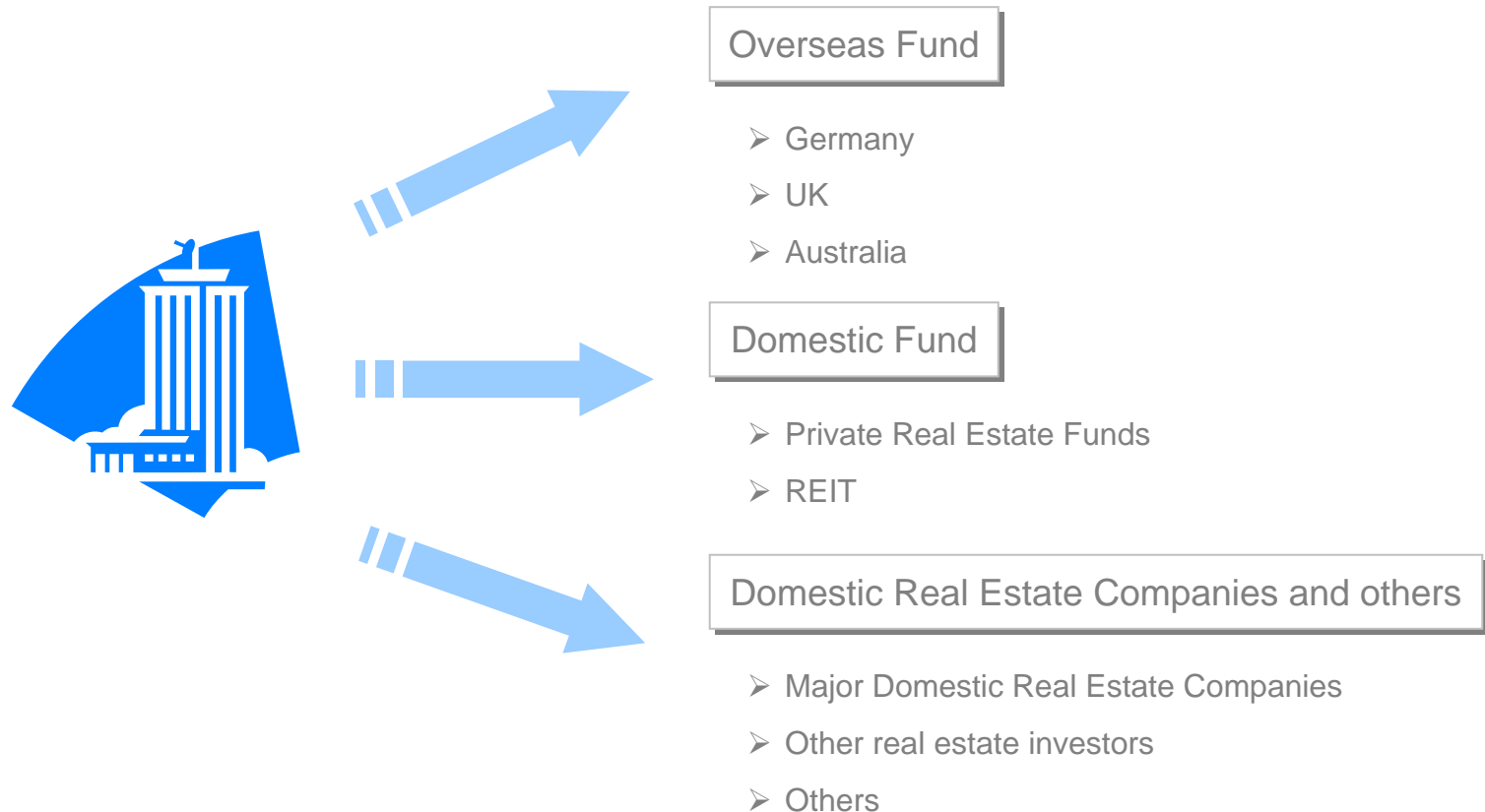
## II. Fund Management: Co-Investment Program with Grove / Portfolio





## II. Fund Management: Co-Investment Program with Grove / Exit Strategy

Various exit strategies in Co-Investment Program with Grove are various



Flexible and swift response with various the exit strategy  
→ **Realizing high performance at various best timing**



## II. Fund Management: Solution Fund

### Features

- Total of 21.8 billion yen, investment commitment (RISA 6.2 billion)
- Investors are Pension Funds etc.
- Full-equity Investment
- Investment Period 5 years ( may be extended by up to 2 years)
- We formed "Kyushu Corporate Solution Fund" (3 billion commitment) with the Nishi-Nippon City Bank

### Results・Surroundings

- By maintaining good relations with board members, we have reduced investment induced downside risks.
- Strong pipeline by the close relation with the financial institution
- We are also considering the launch of a second fund.



### RISA Corporate Solution Fund

- ✓ Investment in Equity and Loan receivables
- ✓ Investment in listed stocks as well as non-listed stocks
- ✓ Supports for growing companies as well as corporate restructuring
- ✓ Provides financial and real estate capabilities of RISA Group



FRONTIER MANAGEMENT INC.  
フロンティア・マネジメント株式会社

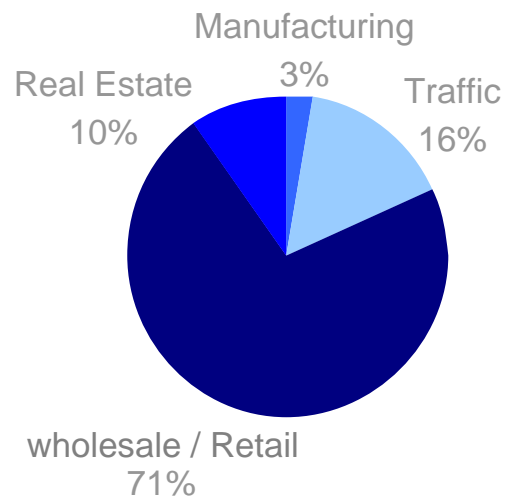
- ✓ Provides know-how from experienced corporate management specialists of various fields
- ✓ Provides hands-on management execution
- ✓ Has a wide range of capabilities from legal to financial advisories



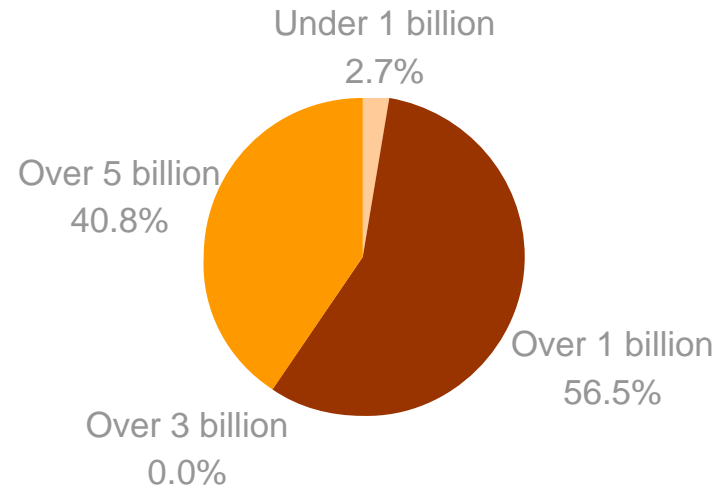
## II. Fund Management: Solution Fund Portfolio

- Investment amount of approximately JPY 16.1 billion (on a commitment basis) by the end of December 2007
- Spread from Tokyo area to Kyushu

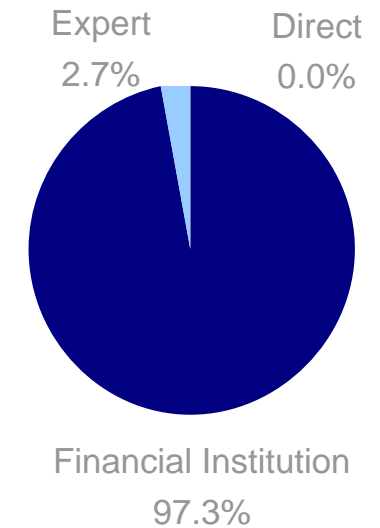
Industry sector



Investment Size



Deal Source



## II. Fund Management: Solution Fund Case - HI Hirose

### ➤ Outline HI Hirose

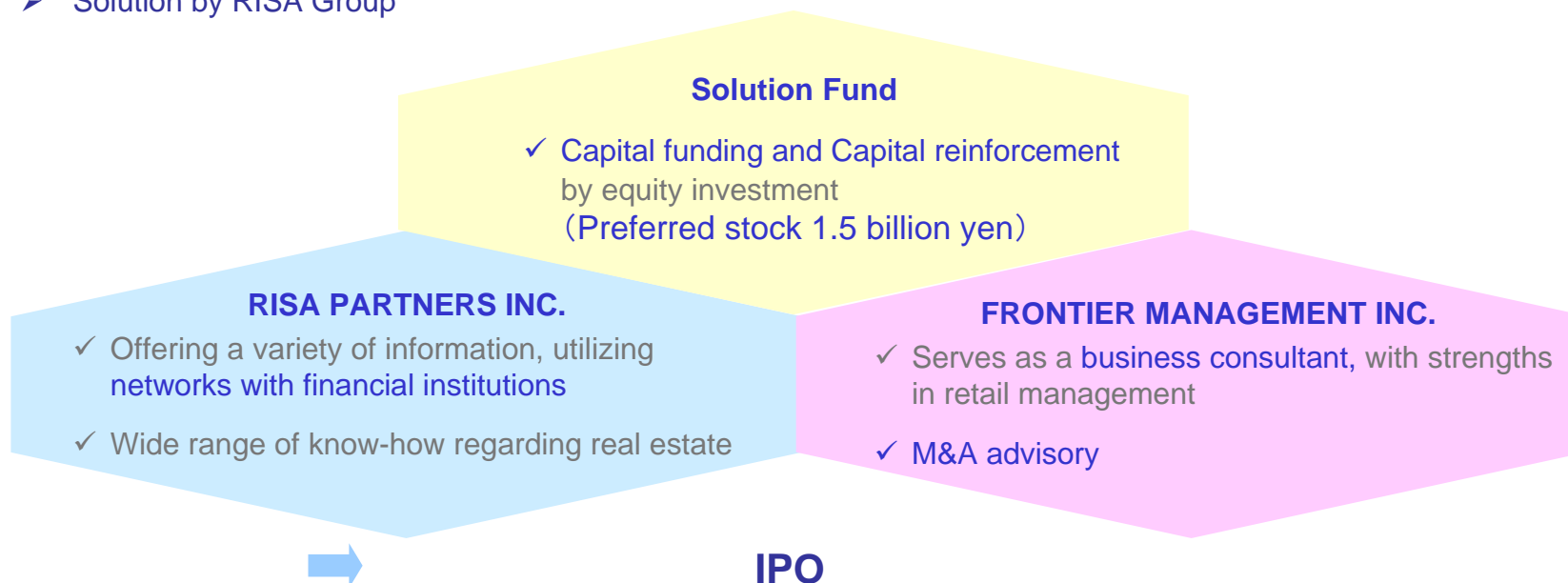
- HI Hirose currently operates 18 home improvement centers (with some offering an extensive range of food products on the same premise), mainly in Oita and Kumamoto Prefectures.
- Revenue: 28.1 billion yen (FY2007)

### ➤ Business Issue

- Acquisition of property to develop stores
- Balance sheet management such as asset liquidation and recapitalization
- Corporate strategy planning and execution, including M&A



### ➤ Solution by RISA Group





## Country wide expansion of RISA PARTNERS Solution Business

### Kokuba-Gumi Co, Ltd.

Kokuba-Gumi is the largest construction company in Okinawa. Bulk purchase of the loan receivables of Kokuba-Gumi to undertake drastic financial restructuring.

RISA developed a strategic business alliance with Kokuba-Gumi for multiple co-working projects in Okinawa.



### ALPICO Group

ALPICO is one of the largest company group in Nagano. RISA is going to invest through Solution Fund to support their financing restructure. RISA aims at the revitalization of ALPICO with the regional financial institutions.

FMI supports, including assigning board members.



### DiREX CORP

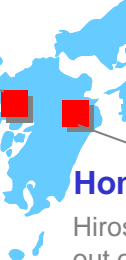
RISA invested 6.5 billion yen (preferred stock) as MBO fund of Thanks Japan (listed on JASDAQ) through Solution Fund.



### Home Improvement Hirose Co., Ltd.

Hirose owns home improvement centers in and out of Ooita. RISA invested 1.5 billion yen (preferred stock) through Solution Fund to support its further growth. Hirose also considering IPO.

Utilization consulting capability of FMI



-  Solution Fund (Fund Business)
-  Solution Business (Investment Banking)

### Maruya Co., Ltd.

Maruya is a supermarket operator listed on TSE2. RISA underwrote shares issued by third-party allocation through Solution Fund for strengthen financial basis.

FMI supports, including assigning board members.



### Musashino Kogyo Co., Ltd.

Musashino is a movie theater operator listed on TSE2. RISA supported financial its restructuring and arranged liquidation of its real estate asset.



### Takaragumi Co., Ltd.

RISA supported financial restructuring of Takaragumi including refinancing arrangements and financial assistance. Their assets are 130 billion yen in Japan and 150 billion yen in the U.S.





### III. Investment Banking: Corporate Advisory

#### Features

- Co-established FRONTIER MANAGEMENT INC. (hereafter FMI ) with Mr. Shoichiro Onishi and Mr. Masahiro Matsuoka, former Managing Directors at IRCJ (Industrial Revitalization corporation of Japan), in order to enhance capabilities of turnaround and M&A in RISA Group.

[ Main track records ]

•Kanebo •Daiei •Mitsui-Mining etc.

#### Results・Surroundings

- FMI hired experienced professionals such as security analysts, CPAs, and M&A advisors from major security companies.
- Half of FMI deals are from RISA, and the rest are acquired through their own connections.
- FMI is realized surplus net income in its first year.

#### <Features of FRONTIER MANAGEMENT INC.>

- 1) Works as a team with various professional skills
- 2) Utilizes “Hybrid Model” – Turnaround and M&A advisory combined
- 3) Prioritizes planning and strategy that enhance corporate value

Turnaround: Self-reliant way of corporate recovery

M&A Advisory: Advice with full knowledge of businesses



### III. Investment Banking: Solution • Transaction Service

#### Features

##### **Solution Business**

- Fee plus Investment
- Opportunities from banks / NPL
- Hybrid skills (financial & real estate)

##### **Due Diligence**

- Consolidate function in Rifas
- Have conducted more than 30,000 cases of due diligence
- Provide reliable services in an efficient manner based on the accumulated data and know-how
- Bank loan valuation / Appraisal
- Real estate valuation / Appraisal
- Real estate due diligence
- Corporate valuation / Appraisal

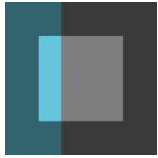
##### **Servicing**

- RISA Loan Servicing, Inc.
- Rating Fitch CSS2-
- Loan receivables of asset management 7,000 case, Over 900 billion yen
- Joint ownership of the know-how with RISA
- The years of experience of the Asset manager are more than average ten years



#### Results • Surroundings

- Succeeded with the exit strategy of the solution deal, which was an integration of real estate and finance.
- Continue to strengthen the acquisition of solution business deals.
- Continue to acquire due diligence deals for stable earnings.
- Contributed to the expansion of loan investments, by focusing on in-housing servicing capabilities.



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1 Summary of Financial Results for FY2007

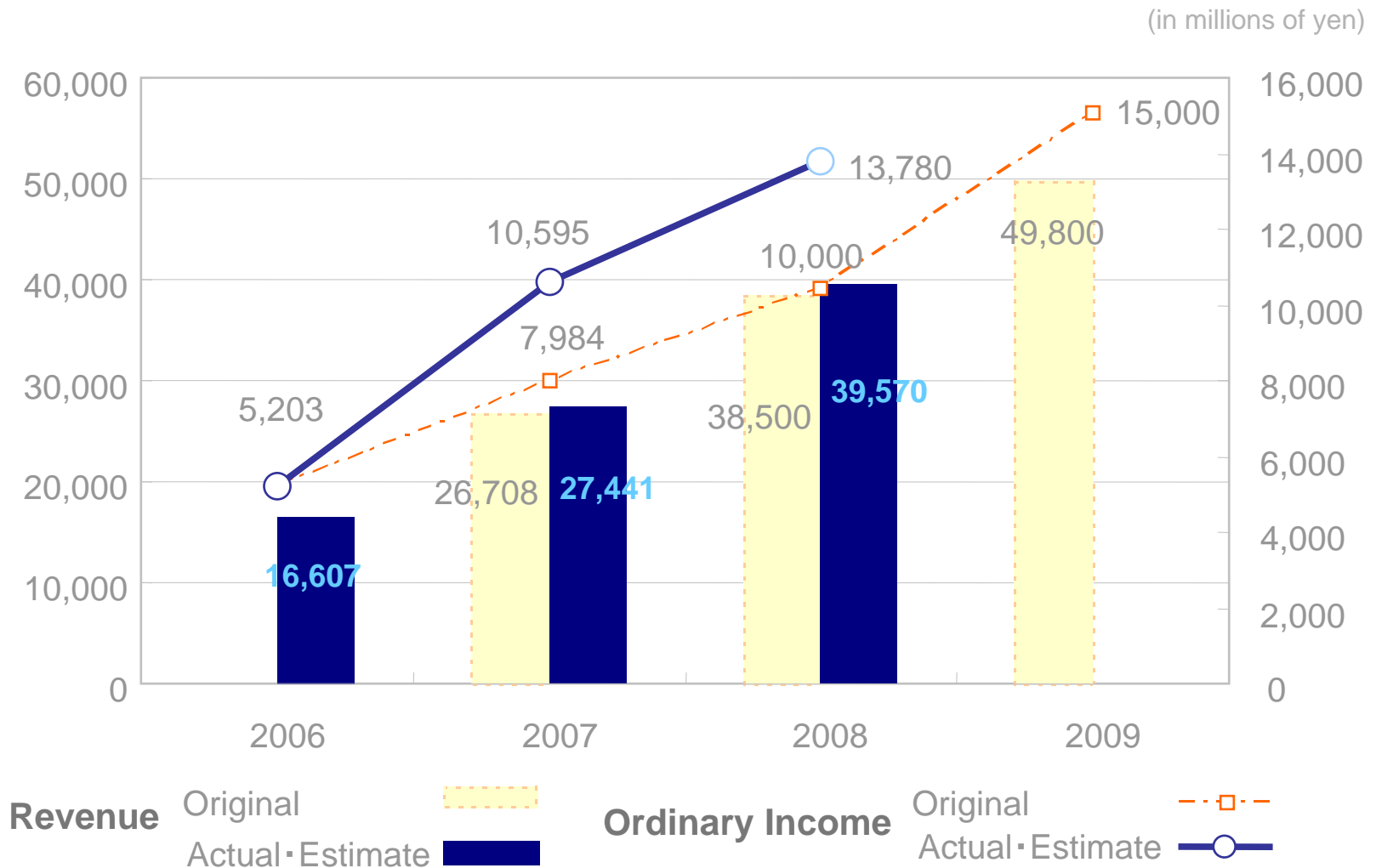
2 Segment Overview

**3 Forecast of Financial Results for FY2008 / Medium  
Term Business Plan**

4 Reference



## Progress of Medium-Term Business Plan



※The Actual / the Estimate of 2008 is business forecast of the February 8, 2008 announcement



## Forecast of Financial Results for FY2008

	2006 Actual	2007 Actual	2008 Estimate
Revenue	16,607	27,441	39,570 (+44.2%)
Operating Income (EBIT)	6,490	11,928	16,200 (+35.8%)
Ordinary Income	5,203	10,595	13,780 (+30.1%)
Net Income	3,030	6,659	8,780 (+31.9%)
EPS	12,203.72	24,141.19	31,240.33 (+29.4%)

※ EPS (Earning Per Share) is reflecting by stock splits

### KFS (Key Success Factor)

- Maintaining the momentum of realizing growth at the level of one year in advance in each segment
- Looking for the exits of excellent large sized properties in the uneasy market environment
- Further expansion of the investment banking business



## IR Contact

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